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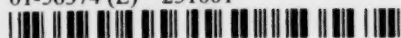
**Financing of the United Nations peacekeeping forces in the Middle East:
United Nations Interim Force in Lebanon**

**Budget for the United Nations Interim Force in Lebanon
for the period from 1 July 2001 to 30 June 2002****Report of the Secretary-General***Summary*

The present report contains the proposed budget for the 12-month period from 1 July 2001 to 30 June 2002 for the maintenance of the United Nations Interim Force in Lebanon, which amounts to \$136,816,100 gross (\$132,983,100 net), inclusive of budgeted voluntary contributions in kind amounting to \$201,200.

Of the total budget, some 63 per cent relates to military personnel costs. Civilian personnel costs account for 18 per cent of the budget, operational requirements reflect 16 per cent while staff assessment comprises 3 per cent of the total.

The action to be taken by the General Assembly is set out in paragraph 5 of the present report.



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I. Overview

1. The present report contains the proposed budget for the 12-month period from 1 July 2001 to 30 June 2002 for the maintenance of the United Nations Interim Force in Lebanon (UNIFIL), which amounts to \$136,816,100 gross (\$132,983,100 net), inclusive of budgeted voluntary contributions in kind amounting to \$201,200.
2. It may be recalled that the Controller, in his letter dated 22 March 2001 to the Advisory Committee on Administrative and Budgetary Questions, had informed the Committee that recent and prospective anticipated developments specific to certain peacekeeping missions (including UNIFIL) would likely affect their mandates, operational concepts, scope and scale of activities and related resources requirements. It was envisaged that these developments would have impact on the development, preparation and timing of submissions of their budgets for the period from 1 July 2001 to 30 June 2002. In the case of UNIFIL, the Security Council, by its resolution 1337 (2001) of 30 January 2001, had expected and requested the Secretary-General to submit, by 30 April 2001, a detailed report on the plans for the reconfiguration and on the tasks that could be carried out by the United Nations Truce Supervision Organization (UNTSO). Although it would have been possible for the Secretariat to prepare an initial maintenance level budget for UNIFIL for the period from 1 July 2001 to 30 June 2002 for submission to the Advisory Committee during February/March 2001 and for consideration by the Fifth Committee during the second part of the resumed fifty-fifth session of the General Assembly in May 2001, such a maintenance budget for UNIFIL would have been overtaken by changes arising from the reconfiguration plan to be submitted to the Security Council and would have had to be prepared anew, recosted and resubmitted at a later date. The Controller, therefore, requested that the Advisory Committee recommend to the Assembly, as an interim measure, the granting of commitment authorization with assessment in the amount of \$99,548,960 gross (\$97,558,500 net) for the maintenance of UNIFIL for the period from 1 July to 31 December 2001, pending submission of the detailed UNIFIL budget to the Assembly at its fifty-sixth regular session.
3. On the recommendation of the Advisory Committee (see A/55/874, para. 10 (a)), the General Assembly, by its resolution 55/180 B of 14 June 2001, authorized the Secretary-General to enter into commitments in the amount of \$99,548,960 gross (\$97,558,500 net) for the maintenance of the Force for the period from 1 July to 31 December 2001, and decided that this amount should be assessed on Member States. By the same resolution, the Assembly also appropriated and apportioned the amount of \$6,021,721 gross (\$5,284,652 net) for the support account for peacekeeping operations and the amount of \$629,045 gross (\$564,879 net) for the United Nations Logistics Base at Brindisi, Italy, representing the prorated share of the Force of the support account and Logistics Base requirements for the period from 1 July 2001 to 30 June 2002. These amounts have been assessed on Member States.
4. Estimated requirements for the period from 1 July 2001 to 30 June 2002 of \$136,614,900 represent a decrease of \$62,303,000, a 31.3 per cent decrease in total resources (gross) in relation to the apportionment for the previous period from 1 July 2000 to 30 June 2001 of \$198,917,900. It includes a 26.7 per cent decrease in military personnel, a 9.7 per cent decrease in civilian personnel costs, a 56.7 per cent decrease in operational requirements and a 3.9 per cent decrease in staff

assessments costs. This decrease is partially offset by a 186.1 per cent increase in other programmes.

Table 1
Financial resources
(Thousands of United States dollars)

Category of expenditure	1999-00 expenditures	2000-01 apportionment	2001-02 cost estimates ^a	Proposed increase/(decrease) over 2000-01	
				Amount	Percentage
Military personnel	79 878.4	116 739.1	85 589.4	(31 149.7)	(26.7)
Civilian personnel	21 711.6	27 723.3	25 035.8	(2 687.5)	(9.7)
Operational requirements	35 876.4	50 343.5	21 804.8	(28 538.7)	(56.7)
Other programmes	15.5	123.0	351.9	228.9	186.1
Staff assessment	3 356.1	3 989.0	3 833.0	(156.0)	(3.9)
Gross requirements ^b	140 838.0	198 917.9	136 614.9	(62 303.0)	(31.3)
Voluntary contributions	135.0	180.0	201.2	21.2	11.78
Total	140 973.0	199 097.9	136 816.1	(62 281.8)	(31.3)

^a Information on the distribution of resources by standard and mission-specific costs is contained in annex II, part B.

^b Exclusive of provision for the support account for peacekeeping operations and the United Nations Logistics Base at Brindisi.

Table 2
Human resources

Military and civilian staff resources	1999-00	2000-01 ^a	2001-02	Increase/(decrease) over 2000-01
Military observers	-	-	-	-
Military contingents	4 513	5 900	4 057	(1 843)
Military liaison officers	-	-	-	-
Civilian police	-	-	-	-
International staff	147	161	144	(17)
National Professional staff	-	-	-	-
Local staff	344	380	339	(41)
United Nations Volunteers	-	-	-	-

^a Based on Secretary-General's second revised budget (A/55/482/Add.1).

5. The action to be taken by the General Assembly is as follows:

(a) To appropriate the amount of \$136,614,900 gross (\$132,781,900 net) for the maintenance of the Force for the 12-month period from 1 July 2001 to 30 June 2002, inclusive of the commitment authority of \$99,548,960 gross

(\$97,558,500 net) previously authorized and assessed under the terms of General Assembly resolution 55/180 B of 14 June 2001 for the period from 1 July to 31 December 2001;

(b) To assess an additional amount of \$37,065,940 gross (\$35,223,400 net) for the period from 1 July 2001 to 30 June 2002, should the Security Council decide to continue the mandate of the Force.

II. Political mandate of the Mission

(Security Council resolution 425 (1978) of 19 March 1978)

6. The mandate of UNIFIL is to confirm the withdrawal of Israeli forces, to restore international peace and security and to assist the Government of Lebanon in ensuring the return of its effective authority in the area of operation. Of the three parts of the mandate, UNIFIL has essentially completed two. It has confirmed the withdrawal of Israeli forces and assisted, to the extent that it could, in the return of the Lebanese authorities to the area vacated by Israel. Pending a comprehensive peace, UNIFIL seeks, at a minimum, to maintain the ceasefire along the line of withdrawal through patrols and observation from fixed positions and close contact with the parties, with a view to correcting violations and preventing the escalation of incidents. The need for UNIFIL to perform such functions will continue to exist in the foreseeable future.

7. The current mandate expires on 31 January 2002 (Security Council resolution 1365 (2001) of 31 July 2001).

III. Operational plan and requirements

8. By confirming the withdrawal of Israeli Defence Forces from southern Lebanon, UNIFIL effectively completed two of the three parts of its mandate in May 2000. Immediately after the withdrawal of the Israeli Defence Forces, an expansion of UNIFIL was assessed based on the need to redeploy its forces over an extended area. The expansion to a target troop strength of 7,935 had been in progress until January 2001, when the Security Council decided to reduce troop strength, by July 2001, to 4,500, the level of its strength before the withdrawal of the Israeli Defence Forces (S/2001/66). Further reconfiguration of UNIFIL to about 3,600 troops, through non-replacement or reduction of units upon their normal rotation, was proposed by the Secretary-General in his report to the Security Council of 30 April 2001 (S/2001/423). In the same report, the Secretary-General also proposed that a further reduction of the Force be effected to bring troop strength to about 2,000 all ranks by July 2002. Such reduction can be achieved through normal troop rotation cycles sometime in July 2002, by repatriating one of the contingents completely and reducing strengths from the other contingents. The reconfiguration approach for UNIFIL proposed by the Secretary-General was endorsed by the Security Council in general terms in the letter from the President of the Council of 18 May 2001 (S/2001/500).

9. The concept of operations is built upon UNIFIL's remaining mandate of restoring peace and security in southern Lebanon and encompasses the following operational activities/tasks:

- (a) Monitoring violations along the Blue Line by conducting limited foot and static patrols;
- (b) Dominating the area of operations by conducting mobile patrols;
- (c) Assisting the Government of Lebanon to establish its authority;
- (d) Using best efforts to prevent any recurrence of hostility;
- (e) Assisting in mine-clearing programmes in southern Lebanon.

10. UNIFIL envisages conducting its operations during 2001-2002 in three phases, as follows:

(a) *Phase 1 (completed)*: Downsizing UNIFIL troop strength to its level previous to the augmentation in 2000, to about 4,500 all ranks by 31 July 2001 (actually achieved end-August 2001). The downsizing would result in the closure of 99 static positions of a total of 176 positions. This would further result in the repatriation of the Nepalese contingent and the Polish Engineering Company. The number of helicopters will be reduced from 6 to 4.

(b) *Phase 2 (ongoing)*: Downsizing of UNIFIL from a troop strength of about 4,500 to 3,600 by 30 November 2001. This would result in the additional closure of 24 static positions from the existing 77 positions. At the same time, because of the redeployments near the Blue Line, 6 new positions are being proposed. These movements would involve the repatriation of the Finnish and Irish contingents in October and November, respectively. The number of armoured personnel carriers will be reduced from 172 to 101. However, the number of helicopters will be maintained at 4, as in phase 1.

(c) *Phase 3*: UNIFIL troop strength will remain at 3,600 through 30 June 2002. Further reduction to 2,000 troops to be achieved through non-replacement or reduction of units on the occasion of normal rotations will be reached at the beginning of the next financial period 2002-2003, i.e., the end of July 2002. However, this decision will be taken only after consultations with the Governments of Lebanon, Israel and the troop-contributing countries and will be based on developments on the ground. This also assumes the anticipated repatriation of troops in accordance with their normal rotation schedules.

11. In planning the resource requirements for the budget period from 1 July 2001 to 30 June 2002, the operational requirements of UNIFIL have been carefully reviewed. Given the ongoing downsizing of the Force, a substantial decrease in budget requirements is proposed. This budget proposal is based on an average troop strength of 4,057 for the period, in accordance with the Secretary-General's reconfiguration plan for the Force that will downsize its troop strength to 3,600 by November 2001 with a possible further reduction to 2,000 by July 2002. UNIFIL's civilian staffing establishment will be reduced by 58 posts (17 international and 41 local staff posts) to 483 posts from its current approved level of 541 posts. The cost estimate takes account of the fact that the battalions were deployed southward into the former Israeli controlled area by August 2000 and took up position at approximately 30 new locations. Approximately 35 existing positions will be retained, of which 25 are being enlarged. Of a total of 176 positions, 99 have been closed. Those existing facilities, particularly at the Naqoura headquarters, are ageing and will require attention. Therefore, a certain portion of the facilities in the area of operations will require new prefabricated structures, which will be provided through

purchase of contingent-owned prefabricated units during the budgeting period. In accordance with the concept of operations outlined above, the proposed budget for the maintenance and replacement of vehicles and major equipment reflects the reduced requirements. The engineering effort will focus on renovation and maintenance of existing premises.

IV. Contributions made under the status-of-forces agreement

12. A status-of-forces agreement was signed between the United Nations and the Government of Lebanon on 15 December 1995. In accordance with the agreement, the Government extends privileges that include: importation, free of duty or other restrictions, of equipment, provisions, supplies and other goods for the exclusive and official use of UNIFIL; provision without cost to UNIFIL of 79 buildings and areas for headquarters and camps; and exemption from any taxes or duties in respect of all official local purchases.

V. Voluntary contributions and trust funds

A. Voluntary contributions

(United States dollars)

<i>Government Organization</i>	<i>Contribution</i>	<i>1 July 2000 - 30 June 2001</i>	<i>1 July 2001 - 30 June 2002</i>
Switzerland	Air ambulance service ^a	a	
Lebanon ^b	Estimated reimbursement of rental charge for UNIFIL House in Beirut	180 000	201 200

^a This service has been provided on a continuing basis since inception. The service was not used during the period from 1 July 2000 to 30 June 2001.

^b The Government of Lebanon began making this voluntary contribution from February 1998.

B. Trust funds

13. No trust fund has been established in support of UNIFIL.

VI. Status of reimbursement of troop-contributing Governments

14. The current troop-contributors are the Governments of Fiji, Finland, France, Ghana, Ireland, Italy, Nepal, India, Poland and Ukraine.

15. Full reimbursement in accordance with standard rates established by the General Assembly for troop costs has been made to the troop-contributing States through 31 December 2000. It is estimated that an amount of \$47.7 million is due for troop costs for the period ending 31 August 2001.

VII. Contingent-owned equipment and self-sustainment

A. Method of reimbursement

16. Memoranda of understanding have been signed with six of UNIFIL's troop-contributing Governments. Six troop-contributing Governments of UNIFIL have opted for the wet-lease arrangements for reimbursement of contingent-owned equipment.

B. Requirements

Major equipment

17. Requirements for the period under review for reimbursement to troop-contributing countries have been based on standard reimbursement rates for contingent-owned equipment (wet-lease) and self-sustainment for five infantry battalions and one specialized support unit.

Special equipment

18. The requirement for reimbursement of crew-served weapons to four contingents is estimated at \$86,533.

Self-sustainment

19. The estimated requirements of \$2,811,648 for self-sustainment for three troop-contributing countries are shown below:

<i>Category</i>	<i>Amount (United States dollars)</i>
Catering	205 380
Communications	395 136
Office furniture and equipment	177 216
Electrical	217 236
Minor engineering	124 416
Explosive ordnance disposal	63 336
Laundry and cleaning	364 092
Tentage	176 280
Accommodations	-
Medical	384 420
Observation	307 752
Miscellaneous general stores	319 800
Application of 2.8 per cent mission factors	76 584
Total	2 811 648

Mission factors

20. Mission factors, which are intended to compensate troop-contributing countries for extreme operating conditions in the mission area, apply to the monthly reimbursable rates as indicated in the table below.

<i>Mission factors</i>	<i>Percentage</i>
Extreme environmental condition factor	0.5
Intensified operational condition factor	-
Hostile action/forced abandonment factor	2.3
Incremental transportation factor	-

VIII. Staffing requirements**A. Changes in staffing requirements**

	<i>Number of posts</i>		
	<i>Current staffing</i>	<i>Proposed staffing requirements</i>	<i>Net change</i>
International staff			
Under-Secretary-General	-	-	-
Assistant Secretary-General	1	1	-
D-2	-	-	-
D-1	2	2	-
P-5	6	5	(1)
P-4	9	6	(3)
P-3	14	13	(1)
P-2/P-1	1	1	-
Subtotal	33	28	(5)
General Service (Principal level)	-	-	-
General Service (Other level)	37	34	(3)
Subtotal	37	34	(3)
Field Service	91	82	(9)
Security Service	-	-	-
Subtotal	91	82	(9)
Total, international staff	161	144	(17)
Local staff	380	339	(41)
National Professional staff	-	-	-
United Nations Volunteers	-	-	-
Subtotal	380	339	(41)
Total	541	483	(58)

21. In order to accommodate the downsizing of UNIFIL, it is proposed to reduce the civilian staffing establishment of UNIFIL by 58 posts, comprising 17 international staff (5 Professional, 3 General Service and 9 Field Service) and 41 local staff. UNIFIL intends to review its staffing during 2002, and a further reduction in the civilian establishment will be proposed in the context of the budget proposal for the 2002/2003 financial period as the troop strength is to be reduced to 2,000 during that financial period. The 58 posts being abolished are as listed below:

- (a) Three Field Service posts in the Civilian Engineering Office;
- (b) Three Field Service posts in the Communications Section;
- (c) Two Field Service posts in the Transport Section;
- (d) One General Service post in the Procurement Section;
- (e) One General Service post in the Finance Section;
- (f) One Field Service post and one General Service post in the General Services Section;
- (g) 41 local posts in Military Support area;
- (h) One P-4 Professional post (Resource and Assets Control Officer) in the Integrated Support Services;
- (i) Four Professional posts including one P-5 (Project Manager), two P-4 (Operations Officer and Mine Information Officer), and one P-3 (Administrative and Logistics Officer) in the Mine Action Coordination Cell.

22. The General Assembly, in its resolution 53/227 of 8 June 1999, requested the Secretary-General to continue his efforts to employ locally recruited staff for the Force against General Services posts, commensurate with the requirements of the Force in order to reduce the cost of employing General Service staff. While, for operational reasons, no conversions of staff to local posts from the approved General Service staffing establishment are possible at the present stage, reductions in both General Service and local staff positions are proposed in the present budget.

23. The proposed distribution of civilian staff by category and office is contained in section B below, with the actual and projected deployment schedule shown in section C below.

B. Current and proposed staffing

	Professional category and above								General Service and related categories							Local staff	Grand total
	USG	ASG	D-2	D-1	P-5	P-4	P-3	P-2	Total	Field Service	Principal level	Other level	Security Service	Total			
Force Commander's Office																	
Current	-	1	-	1	1	2	1	-	6	-	-	3	-	3	1	10	
Proposed	-	1	-	1	1	2	1	-	6	-	-	3	-	3	1	10	
Chief Administrative Office																	
Current	-	-	-	1	-	1	1	-	3	1	-	1	-	2	-	5	
Proposed	-	-	-	1	-	1	1	-	3	1	-	1	-	2	-	5	
Civilian Engineering Office																	
Current	-	-	-	-	-	1	1	-	2	20	-	1	-	21	78	101	
Proposed	-	-	-	-	-	1	1	-	2	17	-	1	-	18	78	93	
Personnel Section																	
Current	-	-	-	-	-	1	1	-	2	1	-	6	-	7	5	14	
Proposed	-	-	-	-	-	1	1	-	2	1	-	6	-	7	5	14	
Communications Section																	
Current	-	-	-	-	-	-	-	-	-	21	-	-	-	21	31	52	
Proposed	-	-	-	-	-	-	-	-	-	18	-	-	-	18	31	49	
Transport Section																	
Current	-	-	-	-	-	-	-	-	-	26	-	3	-	29	64	93	
Proposed	-	-	-	-	-	-	-	-	-	24	-	3	-	27	64	91	
Procurement Section																	
Current	-	-	-	-	1	-	2	-	3	3	-	9	-	12	14	29	
Proposed	-	-	-	-	1	-	2	-	3	3	-	8	-	11	14	28	
Electronic Data-Processing Section																	
Current	-	-	-	-	-	-	1	-	1	-	-	1	-	1	10	12	
Proposed	-	-	-	-	-	-	1	-	1	-	-	1	-	1	10	12	
Finance Section																	
Current	-	-	-	-	1	-	1	1	3	5	-	2	-	7	11	21	
Proposed	-	-	-	-	1	-	1	1	3	5	-	1	-	6	11	20	
General Services Section																	
Current	-	-	-	-	1	-	-	-	1	8	-	8	-	16	48	65	
Proposed	-	-	-	-	1	-	-	-	1	7	-	7	-	14	48	63	
Military Support Unit																	
Current	-	-	-	-	-	-	-	-	-	-	-	2	-	2	99	101	
Proposed	-	-	-	-	-	-	-	-	-	-	-	2	-	2	58	60	

	Professional category and above								General Service and related categories							Local staff	Grand total
	USG	ASG	D-2	D-1	P-5	P-4	P-3	P-2	Total	Field Service	Principal level	Other level	Security Service	Total			
Beirut — Procurement Section																	
Current	-	-	-	-	-	-	1	-	1	-	-	-	-	-	9	10	
Proposed	-	-	-	-	-	-	1	-	1	-	-	-	-	-	9	10	
Tyre — Force Commander's Office																	
Current	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	
Proposed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	
Integrated Support Services																	
Current	-	-	-	-	1	2	3	-	6	6	-	1	-	7	8	21	
Proposed	-	-	-	-	1	1	3	-	5	6	-	1	-	7	8	20	
Air Safety Unit																	
Current	-	-	-	-	-	-	1	-	1	-	-	-	-	-	-	1	
Proposed	-	-	-	-	-	-	1	-	1	-	-	-	-	-	-	1	
Mine Action Coordination Cell																	
Current	-	-	-	-	1	2	1	-	4	-	-	-	-	-	-	4	
Proposed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total																	
Current	-	1	-	2	6	9	14	1	33	91	-	37	-	128	380	541	
Proposed	-	1	-	2	5	6	13	1	28	82	-	34	-	116	339	483	

C. Deployment of civilian personnel

24. The deployment schedule of civilian personnel is set out below:

	Planned deployment of personnel											
	2001						2002					
	Actual 31 July	31 Aug	30 Sept	31 Oct	30 Nov	31 Dec	31 Jan	28 Feb	31 March	30 April	31 May	30 June
International staff												
Under-Secretary-General	-	-	-	-	-	-	-	-	-	-	-	-
Assistant Secretary-General	-	1	1	1	1	1	1	1	1	1	1	1
D-2	-	-	-	-	-	-	-	-	-	-	-	-
D-1	1	2	2	2	2	2	2	2	2	2	2	2
P-5	4	6	6	6	6	5	5	5	5	5	5	5
P-4	4	9	9	9	9	6	6	6	6	6	6	6
P-3	12	14	14	14	14	13	13	13	13	13	13	13
P-2/P-1	-	1	1	1	1	1	1	1	1	1	1	1
Subtotal	21	33	33	33	33	28	28	28	28	28	28	28
Field Service	78	91	91	91	91	82	82	82	82	82	82	82
General Service (Principal level)	-	-	-	-	-	-	-	-	-	-	-	-
General Service (Other level)	33	37	37	37	37	34	34	34	34	34	34	34
Security Service	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	111	128	128	128	128	116	116	116	116	116	116	116
Total, international staff	132	161	161	161	161	144	144	144	144	144	144	144
Local staff	350	380	380	380	380	339	339	339	339	339	339	339
National officers	-	-	-	-	-	-	-	-	-	-	-	-
United Nations Volunteers	-	-	-	-	-	-	-	-	-	-	-	-
Total	482	541	541	541	541	483	483	483	483	483	483	483

IX. Qana incident

25. In paragraph 15 of resolution 55/180 B, the General Assembly reiterated its request to the Secretary-General to take the necessary measures to ensure the full implementation of paragraph 8 of General Assembly 51/233, paragraph 5 of resolution 52/237, paragraph 11 of resolution 53/227, paragraph 14 of resolution 54/267 and paragraph 14 of resolution 55/180 A; stressed once again that Israel should pay the amount of \$1,284,633 resulting from the incident at Qana on 18 April 1996; and requested the Secretary-General to report on that matter to the Assembly during the main part of its fifty-sixth session.

26. Pursuant to the adoption of those resolutions, that amount has been recorded under accounts receivable for UNIFIL and the Secretariat has addressed five letters on the subject to the Permanent Representative of Israel to the United Nations, the most recent of which was dated 2 October 2001, to which no response has been received.

Annex I

Cost estimates for the period from 1 July 2001 to 30 June 2002

A. Summary statement

(Thousands of United States dollars)

Category of apportionments	(1)	(2)	(3)	(4)
	1 July 1999 to 30 June 2000	1 July 2000 to 30 June 2001	1 July 2001 to 30 June 2002	Non-recurrent estimates
	Expenditures ^a	Apportionment ^{bc}	Total estimates ^d	
I. Military personnel				
1. Military observers	-	-	-	-
2. Military contingents	78 094.0	99 559.2	73 807.7	-
3. Other requirements pertaining to military personnel				
(a) Contingent-owned equipment	741.0	12 492.9	7 970.1	-
(b) Self-sustainment	43.4	3 037.0	2 811.6	-
(c) Death and disability compensation	1 000.0	1 650.0	1 000.0	-
Subtotal, line 3	1 784.4	17 179.9	11 781.7	-
Total, category I	79 878.4	116 739.1	85 589.4	-
II. Civilian personnel				
1. Civilian police	-	-	-	-
2. International and local staff	21 711.6	27 723.3	25 035.8	-
3. United Nations Volunteers	-	-	-	-
4. Government-provided personnel	-	-	-	-
5. Civilian electoral observers	-	-	-	-
Total, category II	21 711.6	27 723.3	25 035.8	-
III. Operational requirements				
1. Premises/accommodations	4 875.2	8 602.7	1 852.6	-
2. Infrastructure repairs	-	-	-	-
3. Transport operations	17 517.8	19 907.6	8 201.2	574.2
4. Air operations	1 578.5	2 182.5	1 412.2	-
5. Naval operations	-	-	-	-
6. Communications	2 136.3	4 711.3	1 567.4	367.4
7. Other equipment	3 182.4	5 784.1	2 429.9	1 379.4
8. Supplies and services	4 355.9	7 767.0	5 287.5	-
9. Air and surface freight				
(a) Transport of contingent-owned equipment	1 843.4	900.0	651.0	-
(b) Commercial freight and cartage	386.9	488.3	403.0	-
Subtotal, line 9	2 230.3	1 388.3	1 054.0	-
Total, category III	35 876.4	50 343.5	21 804.8	2 321.0

Category of apportionments	(1)	(2)	(3)	(4)
	1 July 1999 to 30 June 2000	1 July 2000 to 30 June 2001	1 July 2001 to 30 June 2002	
	Expenditures ^a	Apportionment ^b	Total estimates ^d	Non-recurrent estimates
IV. Other programmes				
1. Election-related supplies and services	-	-	-	-
2. Public information programmes	-	-	-	-
3. Training programmes	15.5	123.0	351.9	-
4. Mine-clearing programmes	-	-	-	-
5. Assistance for disarmament and demobilization	-	-	-	-
Total, category IV	15.5	123.0	351.9	-
V. United Nations Logistics Base at Brindisi	-	-	-	-
VI. Support account for peacekeeping operations	-	-	-	-
VII. Staff assessment	3 356.1	3 989.0	3 833.0	-
Gross requirements, categories I-VII	140 838.0	198 917.9	136 614.9	2 321.0
VIII. Income from staff assessment	(3 356.1)	(3 989.0)	(3 833.0)	-
Net requirements, categories I-VIII	137 481.9	194 928.9	132 781.9	2 321.0
IX. Voluntary contributions in kind (budgeted)	135.0	180.0	201.2	-
X. Voluntary contributions in kind (non-budgeted)	-	-	-	-
Total	140 973.0	199 097.9	136 816.1	2 321.0

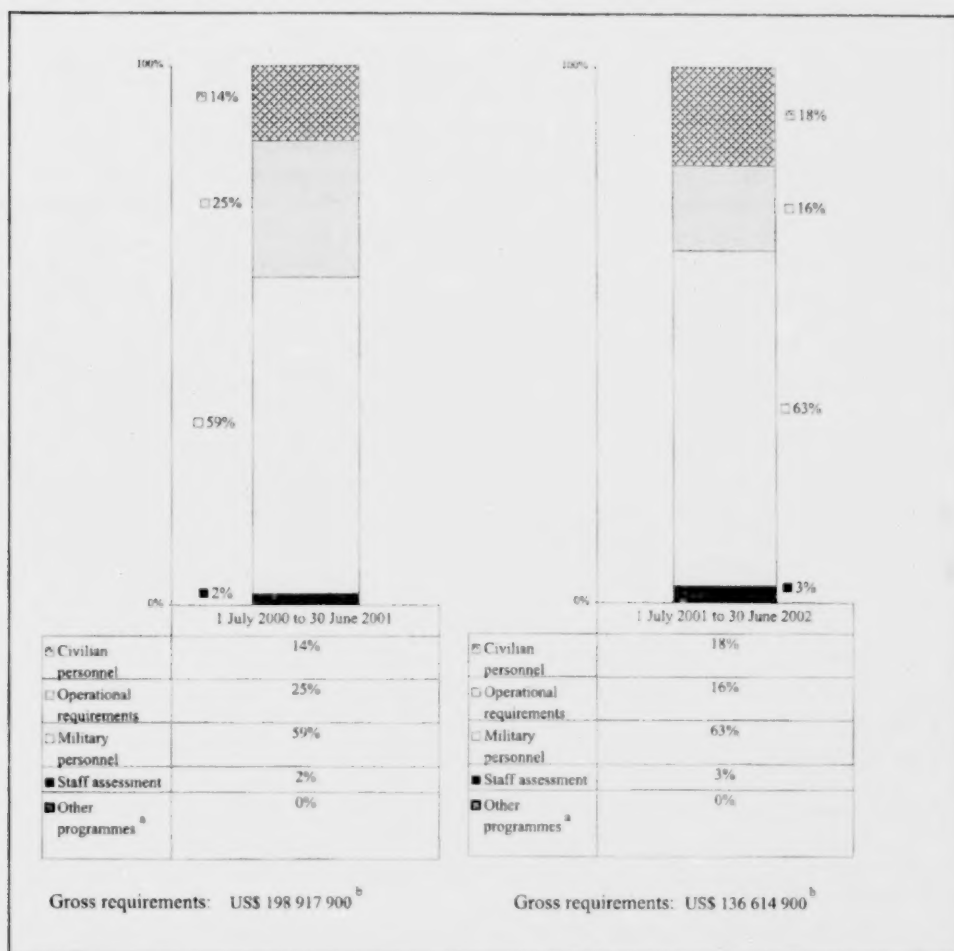
^a As contained in annex I of the performance report (A/55/757). Excludes \$7,407,900 for the support account for peacekeeping operations and \$1,452,600 for the United Nations Logistics Base at Brindisi.

^b General Assembly resolution 55/180 B. The budget was based on an average troop strength of 5,900 in accordance with the phased-out redeployment schedule of military contingent.

^c Exclusive of \$6,967,059 gross (\$5,895,590 net) appropriated for the support account for peacekeeping operations and \$1,089,216 gross (\$969,161 net) for the financing of the United Nations Logistics Base at Brindisi.

^d Exclusive of \$6,021,721 gross (\$5,284,652 net) appropriated for the support account for peacekeeping operations and \$629,045 gross (\$564,879 net) for the financing of the United Nations Logistics Base at Brindisi.

B. Distribution of gross requirements by major cost component



^a Other programmes represent less than 1 per cent of total resources.

^b Total may not add up to 100 per cent due to rounding.

C. Supplementary information

The budget of UNIFIL for the 12-month period from 1 July 2001 to 30 June 2002 provides for the deployment of a reduced total number of 4,057 military contingent personnel, supported by a reduced staffing establishment of 144 international staff (28 Professional, 82 Field Service and 34 General Service posts) and 339 local staff. The proposed budget also reflects reduced requirements for reimbursement to troop-contributing Governments of contingent-owned equipment on wet-lease arrangement and self-sustainment provided to UNIFIL, as well as for air operations support, transportation, communications, electronic data-processing, other equipment and supplies and services. These reduced requirements are slightly offset by an increased requirement under training programmes.

Military personnel

Apportionment: \$116,739,100; estimate: \$85,589,400; variance: (\$31,149,700)

1. The decrease of \$31,149,700 under this heading is attributable to a decrease of \$25,751,500 in military contingents and a decrease of \$5,398,200 in other requirements pertaining to military personnel.

Military contingents

Apportionment: \$99,559,200; estimate: \$73,807,700; variance: (\$25,751,500)

2. The decrease of \$25,751,500 based on the deployment schedule of military contingents is as shown in the table below. As can be seen from the table, the average number of troops in UNIFIL as at 31 July 2001 was 5,491 — higher than the planned target level of 4,500 troops as decided by the Security Council (S/2001/66). This target level of 4,500 troops was achieved by end August 2001 on the occasion of the normal troop rotation cycles. Based on this approach, which was endorsed by the Security Council, it is planned that the total troop strength of UNIFIL will gradually be reduced to 3,613 by 30 June 2002 and will achieve the target level of 2,000 troops at the beginning of the next financial period, on 31 July 2002. On that basis, the monthly average number of UNIFIL contingent personnel is 4,057 for infantry battalions as well as specialized support units, compared with 5,900 contingent personnel in the 2000/2001 financial period budget. The estimates cover requirements for standard troop-cost reimbursement (\$52,009,700), welfare (\$791,100), rations (\$10,053,900), daily allowance (\$1,895,400), travel and subsistence allowance for military personnel (\$162,700), emplacement and rotation travel (\$5,487,000) and clothing and equipment allowance (\$3,407,900) based on the phased-out redeployment schedule of military contingent.

Actual 31 July	Planned deployment of personnel												Average 1 July 2001 - 30 June 2002
	2001						2002						
	31 Aug	30 Sept	31 Oct	30 Nov	31 Dec	31 Jan	28 Feb	31 March	30 April	31 May	30 June		
5 491	4 543	4 528	4 528	4 248	3 624	3 624	3 624	3 624	3 624	3 613	3 613	4 057	

Other requirements pertaining to military personnel

Apportionment: \$17,179,900; estimate: \$11,781,700; variance: (\$5,398,200)

3. The estimate includes provision of \$7,970,100 for the reimbursement to troop-contributing countries for the equipment brought into the mission area based on wet-lease arrangements and \$2,811,600 for self-sustainment, as detailed in annex II.A to the present report. Provision of \$1 million has been made to cover potential claims for the death, disability or injury of military personnel (compared with approximately \$1.6 million if the standard provision of 1 per cent of all contingent personnel, based on annual maximum cost of \$40,000 per claim had been applied).

Civilian personnel

Apportionment: \$27,723,300; estimate: \$25,035,800; variance: (\$2,687,500)

4. The decrease of \$2,687,500 of this heading relates to a reduction in international and local staff costs.

International and local staff

Apportionment: \$27,723,300; estimate: \$25,035,800; variance: (\$2,687,500)

5. Salary calculations are based on a total of 483 posts (144 international and 339 local), including changes described in section VIII.A above. A vacancy factor of 10 per cent has been applied for international staff posts. In view of the fact that UNIFIL is a long-established mission and is also a family mission, there are no mission appointees.

6. Salaries for 339 local staff posts were calculated based on level 4, step 9, net, of the salary scales applicable to Beirut, effective 1 March 1998. Based on past incumbency experience, no vacancy factor has been applied.

7. The estimates for the reduced number of international and local posts requested have been prepared based on their projected phased deployment.

8. The decrease in salary requirements for the 2001/2002 period compared with the apportionment for the 2000/2001 period is due to the reduction of 17 international posts (five Professional posts, three General Service posts and nine Field Service posts) and 41 local posts resulting from the downsizing of the Force.

9. The estimate of \$208,600 for other travel costs will finance travel of staff and the Office of Internal Oversight Services (OIOS) auditors, as detailed in annex II.A.

Operational requirements

Apportionment: \$50,343,500; estimate: \$21,804,800; variance: (\$28,538,700)

10. The estimate of \$21,804,800 includes non-recurrent cost requirements, which amount to \$2,321,000.

11. The significant decrease of \$28,538,700 under this heading is attributable to overall decreased requirements under every budget heading.

Premises/accommodation

12. The decrease of \$6,750,100 in provision for premises/accommodation from \$8,602,700 to \$1,852,600 is mainly due to substantially lower requirements for replacement and acquisition of prefabricated accommodations and ablution units during the budget period.

13. The provision of \$1,852,600 includes rental of premises (\$26,200), alteration and renovation of premises (\$115,300), maintenance supplies (\$740,400) and services (\$399,000), electricity and water utilities (\$192,700) and construction of positions and warehouse (\$379,000).

Transport operations

14. Requirements for replacement and acquisition of vehicles, as detailed in annex II.C, amount to \$373,750 and are substantially lower than the 2000/2001 financial period resources provided by the General Assembly (\$8,710,800). Only one heavy vehicle and four trailers are scheduled for replacement during the period, taking into account the expected reduction in the size of the UNIFIL vehicle fleet resulting from downsizing of the Force.

Air operations**Helicopter operations**

15. Approved 2000/2001 resources of \$2,024,500 provided for rental of six AB-205 helicopters. The reduced estimate of \$1,323,600 for helicopter operations for the 2001/2002 period is based on the planned reduction of the number of helicopters required to four by the end of August 2001. The estimate provides for a total 750 hours (75 hours per month until August 2001 and 60 hours per month beginning September 2001) at \$1,583 per flight hour for hire/charter cost as well as \$80,000 for aviation fuel and lubricant costs.

Fixed-wing aircraft

16. The 2001/2002 estimate for air operations of \$83,600 includes first-time provision for the hire/charter cost (\$28,800) of two United Nations aircraft (based on eight IL-76 flight hours at \$1,800 per hour for two aircraft) used to deliver goods from the United Nations Logistics Base at Brindisi or from other missions. During the past two years several planes have arrived and been serviced in Beirut, and UNIFIL was accordingly charged for the cost of fuel and basic aircraft operating costs for any consequential route diversions and/or additional flight times incurred in direct support of the UNIFIL operational activities. Provision for aviation fuel costs in the amount of \$53,300 has to be provided for refuelling two (2) fixed-wing transport aircraft flying a total 16 hours, based on Beirut aviation fuel price of \$325 per 1,000 litres, at an average consumption rate of 10,250 litres per hour, as well as landing fees.

17. It should be noted that the estimate for aviation fuel and lubricants takes into consideration the most recent rates experienced for petrol, oil and lubricants.

18. Information regarding flying hours, hire charges, fuel costs and insurance is also provided in annex II.A.

Communications

19. The reduced estimate of \$1,567,400 for the 2001/2002 financial period, inclusive of \$367,400 in non-recurrent requirements (compared with \$4,711,300 for the 2000/2001 financial period), under this heading reflects the decrease in number of items of communications facilities and equipment needed to be replaced as a result of the changed operational requirements of UNIFIL. The resources provided under this heading also cover requirements for communications workshop and test equipment (\$46,900), spare parts and supplies (\$687,700), and commercial communications (\$512,300).

Other equipment

20. Requirements of \$2,429,900 in the 2001/2002 financial period, under other equipment, as detailed in annex II.C, inclusive of \$1,379,400 in non-recurrent items, are also substantially lower than that for the 2000/2001 period (\$5,784,100), and provide for replacement of various items of office furniture, office equipment, electronic data-processing equipment, observation equipment, medical and dental equipment, accommodation equipment and miscellaneous equipment required for the deployment of reduced numbers of military and civilian personnel.

Supplies and services

21. The overall requirements under this heading show a decrease of \$2,479,500, from \$7,767,000 in the 2000/2001 financial period to \$5,287,500 for 2001/2002. The net decrease includes increased requirements under contractual services provided for establishment/maintenance of a Wide Area Network (WAN), the Field Assets Control System (FACS), the Field Personnel Management System (FPMS), and other services (\$195,000), and for first-time provision for salaries for four contractors in lieu of the four professional posts that are to be suppressed in the Mine Action Coordination Cell (\$480,168). Provision under this heading is also made for security services, medical treatment and services and miscellaneous other services.

22. Moreover, the estimate under this heading also includes acquisition of: (a) stationery and office supplies; (b) medical supplies; (c) sanitation and cleaning materials; (d) subscriptions; (e) uniforms items, flags and decals; (f) field defence stores; (g) updated operational maps; and (h) quartermaster and general stores.

Air and surface freight

23. The reduced estimate of \$1,054,000 under this heading covers the freight cost of contingent-owned equipment for UNIFIL as well as the cost of shipping and handling of supplies and equipment for which no provision has been made elsewhere.

Other programmes

Apportionment: \$123,000; estimate: \$351,900; variance: \$228,900

Training programmes

24. The increased estimate under this heading reflects requirements related to technical training, including travel for training in the areas of finance, procurement, communications, electronic data processing, transport, management and AIDS/HIV awareness as detailed in annex II.A.

Staff assessment

Apportionment: \$3,989,000; estimate: \$3,833,000; variance: (\$156,000)

25. The amount budgeted under this heading represents the difference between gross and net emoluments, that is, the amount of staff assessment to which the United Nations staff members are subject, in accordance with staff regulations of the United Nations. The staff assessment for 144 internationally recruited staff is estimated on the basis of the 2001/2002 standard cost rates for New York, while the staff assessment for 339 local staff is estimated by using the scale currently applicable in the mission area in accordance with the phased deployment of international and local staff.

Income from staff assessment

Apportionment: (\$3,989,000); estimate: (\$3,833,000); variance: \$156,000

26. The staff assessment requirements provided for under expenditure budget line VII have been credited to this item as income from staff assessment and will be credited to the Tax Equalization Fund established by the General Assembly in its resolution 973 A (X) of 15 December 1955. Member States are given credit in the fund in proportion to their rates of contribution to the UNIFIL budget.

Annex II

Cost estimates for the period from 1 July 2001 to 30 June 2002: analysis

A. Standard and mission-specific costs

Description	Previous submission	Average strength	Proposed estimates				Explanation
			Standard cost	Unit or	Monthly cost	Annual cost	
				daily cost			
(United States dollars)							
1. Military personnel							
Military contingents							Average monthly strength based on the phased deployment of military contingent.
Infantry	3 438	2 606					
Logistics/support	1 075	1 451					
2. Troop reimbursement							
(a) Pay and allowance	988		1 008				Based on rates approved by the General Assembly effective 1 July 2001.
	1 008		1 028				Based on rates approved by the General Assembly effective 1 January 2002.
(b) Specialist allowance	291		297				Based on rates approved by the General Assembly effective 1 July 2001.
	297		303				Based on rates approved by the General Assembly effective 1 January 2002.
Infantry	10%		10%				Payable for 10 per cent of troop strength.
Logistics/support	25%		25%				Payable for 25 per cent of troop strength.
3. Clothing and personal equipment allowance							
Military contingents	70		71				Based on rates approved by the General Assembly for clothing, gear, equipment and ammunition effective 1 July 2001.
	71		73				Based on rates approved by the General Assembly for clothing, gear, equipment and ammunition effective 1 January 2002.
4. Welfare							
	10.50			10.50			Payable for 14 days for personnel serving 12 months and in accordance with average monthly strength based on the phased deployment of military contingent.
Welfare, other	2.45		8.00		4.00		
5. Rations							
	5.56				6.18		Anticipated price increase in dry and frozen food for the Middle East area due to use of new global contractor from 1 February 2002. Excludes other rations.
6. Travel costs for military personnel							
Travel to duty station							
Netanya	23		"		23		
Nahariya	23		"		23		
Duty travel (overnight)							
Israel	86		"		86		
Lebanon	68		"		68		
Meal allowances for temporary duty	8		"		8		
Travel over 10 hours	68		"		68		
7. Contingent-owned equipment							
							Based on new rates approved by the General Assembly effective 1 July 2001.
Major equipment	10 833 098					7 883 573	Reflects reduced requirement due to downsizing of the Force.
Special equipment	645 276					86 533	Reflects reduced requirement due to downsizing of the Force.

Description	Previous submission	Average strength	Standard cost	Proposed estimates			Explanation
				Unit or daily cost	Monthly cost	Annual cost	
				(United States dollars)			
8. Self-sustainment							
Based on new rates approved by the General Assembly effective 1 July 2001.							
Catering	19 443		26.33		17 115		Payable for 650 troops.
Communications							
VHF/UHF-FM	5 597		48.48		31 512		Payable for 650 troops.
HF	2 470		16.95		712		Payable for 42 troops.
Telephone	2 210		14.07		704		Payable for 50 troops.
Office furniture and equipment	16 575		22.72		14 768		Payable for 650 troops.
Electrical	19 250		27.85		18 103		Payable for 650 troops.
Minor engineering	10 780		15.95		10 368		Payable for 650 troops.
Explosive ordinance disposal	3 952		7.27		5 278		Payable for 726 troops.
Laundry and cleaning	30 239		22.05		30 341		Payable for 1,376 troops.
Tentage	18 460		22.60		14 690		Payable for 650 troops.
Accommodations	1 620		38.52				
Medical							
Basic	2 846		2.00		2 752		Payable for 1,376 troops.
First line	9 880		16.25		11 798		Payable for 726 troops.
Dental	8 819		10/2.50		8 885		Payable for 1,376 troops.
Level II (dental and lab)	8 599		20.63		8 600		Payable for 726 troops.
Observation							
General (binoculars)	1 499		1		1 561		Payable for 1,561 troops.
Night observation equipment	21 041		23.25		23 320		Payable for 1,003 troops.
Positioning	1 465		5		765		Payable for 153 troops.
Miscellaneous general store							
Bedding	11 410		14		9 100		Payable for 650 troops.
Furniture	17 930		22		14 300		Payable for 650 troops.
Welfare	4 075		5		3 250		Payable for 650 troops.
Application of 2.8 per cent mission factors	7 777				6 382		
9. Death and disability	1 750 000					1 000 000	See supplementary explanation annex I.C.
10. Civilian personnel							
Salary is calculated based on phased deployment of civilian staff.							
International staff	161	144					
Local staff	380	339					
Net salary	22 118		*			22 118	
Common staff costs	8 235		*			8 235	
Staff assessment	4 266		*			4 266	
11. Travel costs for civilian personnel							
Force commander to New York	13 400					13 500	
Senior Adviser	7 000					16 000	Projected one more trip to New York.
Chief Administrative Officer to New York	13 000					13 500	
Within mission area	45 000					52 500	
Budget Officer to New York	-					7 500	
Mission assessment for HQ staff	3 000					8 000	
Internal Auditors	11 000					11 000	
Press and Information Officer	4 500					10 000	
Travel of HQ staff to UNIFIL	50 000					76 560	
12. Rental of premises							
Military Police accommodation in Israel	12 000		*			12 000	
Reporting and evacuation centre	12 925		*			12 325	
Maintenance supplies	1 308					1 308	
Maintenance services	608					608	

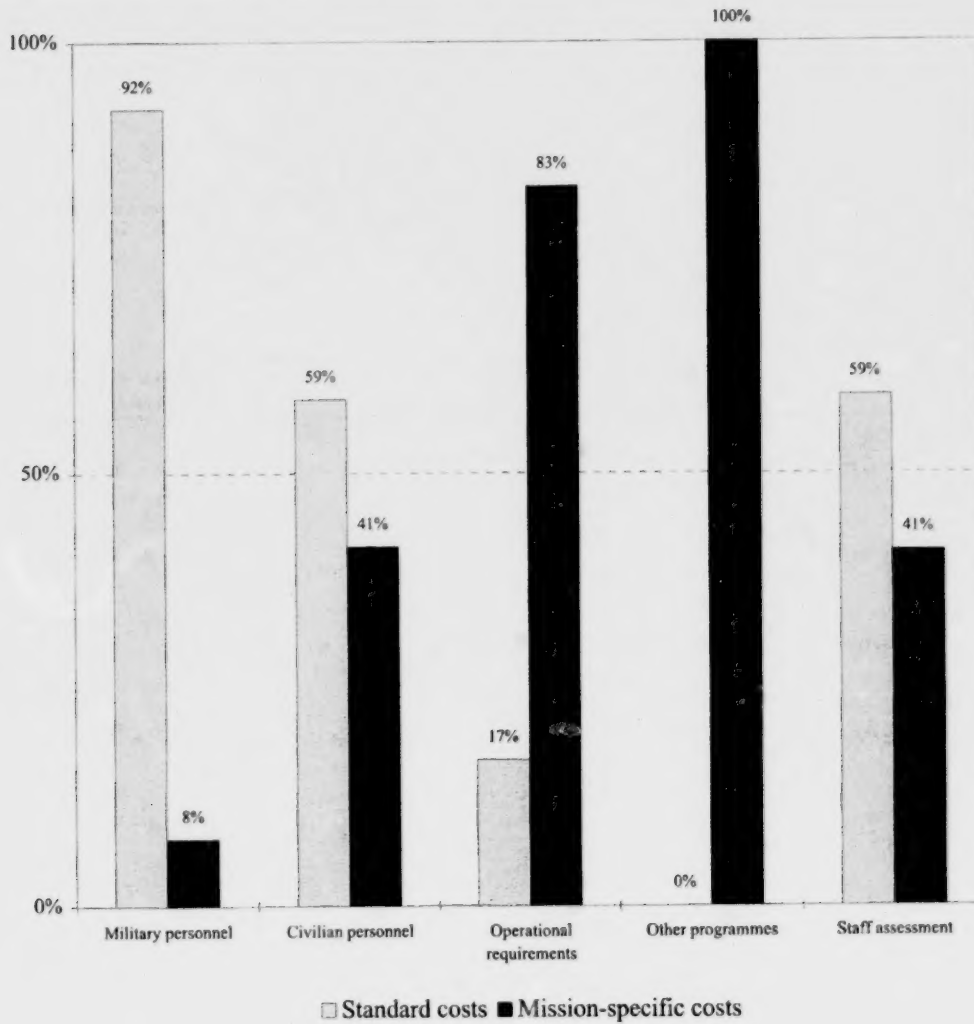
Description	Previous submission	Average strength	Proposed estimates			Explanation
			Standard cost	Unit or	Monthly	
				daily cost	cost	
				(United States dollars)		
13. Utilities						
Electricity	72 650		*			47 600
Water	233 080		*			145 102
14. Vehicles						
						The mission vehicle fleet establishment will be reduced from 1,080 to 750.
(a) United Nations owned						
Standard commercial-pattern vehicle - light	651	470				
Standard commercial-pattern vehicle - heavy	324	214				
Armoured personnel carriers	105	66				
(b) Rental of vehicles						
Crane 20 tons	80			80		60 days.
Crane 40 tons	125			125		15 days.
Forklift, heavy	200			200		15 days.
Truck with trailer 20 ft.	125			125		45 days.
Truck with trailer 40 ft.	200			200		30 days.
Various truck	150			150		30 days.
15. Spare parts, repairs and maintenance of vehicles						
Civilian pattern	89.23		350		89.23	
Military pattern	392.46		500		392.46	
Outside workshop cost for A and B maintenance for 40 standard commercial-pattern vehicles at Beirut	20 000					20 000
16. Petrol, oil and lubricants						
						Based on the latest market prices for petrol, oil and lubricants and the latest actual monthly consumption statistics.
Petrol - benzene	152 833		*			365 960
Diesel fuel (generators and vehicles)	4 003 261		*			2 915 343
Oil and lubricants	293 699		*			203 864
Kerosene	271 511		*			192 780
Fuel from Lebanon	22 000		*			22 000
Fuel from civilian station in Israel	29 953		*			29 953
17. Vehicle insurance						
						Based on the latest rates of third-party insurance coverage for Middle East region.
General purpose	490					413 For 800 general purpose vehicles.
Armoured personnel carriers	400					270 For 100 armoured vehicles.
Mobile equipment	50					60 For 89 mobile vehicles.
18. Air operations						
Helicopters (AB-205)	6	4				
Hire/charter costs	1 662 390		*		1 187 250	6 helicopters reduced to 4 at the end of August 2001.
Aviation fuel and lubricants	207 145		*		118 139	6 helicopters reduced to 4 at the end of August 2001.
Liability and war-risk insurance	135 000		*		56 250	6 helicopters reduced to 4 at the end of August 2001.
Positioning/depositioning costs	20 000		*			
19. Fixed-wing aircraft						
Hire/charter costs					28 800	Based on historical data: 8 flight hours at \$1,800 per hour for 2 flights.
Aviation fuel and lubricant	129 460				53 300	2 flights for 16 hours at an average fuel consumption rate of 10,250 ltrs/hr at \$325/1,000 litres (Beirut price).

Description	Previous submission	Average strength	Standard cost	Proposed estimates			Explanation
				Unit or daily cost	Monthly cost	Annual cost	
				(United States dollars)			
20. Other air operations requirements							
Air traffic control services and equipment	8 000		*			5 000	Requirements for flight safety posters, publications, magazines, professional journals to promote flight safety.
Landing fees and ground handling	20 460		*			-	
21. Commercial communications							
Telephone	160 000		*			280 000	Increased requirement due to use of cellular telephone based on past spending experience.
Commercial telex/telegramme	2 000		*			2 000	
Pouch	20 240		*			20 250	
Internet connectivity	26 000		*			-	
Leased-line charges	10 000		*			-	
New lines and new Inmarsat terminals	300 000						
Support of mine deactivation and border verification, etc	40 000						
Transponder global team	150 000		*			210 000	
Spare parts and supplies	868 000					687 700	
22. External audit services	96 400		*			78 500	
23. Contractual services	1 082 000		*			1 913 468	Reflects additional provision as explained in annex I.C.
24. Security services	79 565		*			64 900	Based on current contracts for Security Services.
25. Medical treatment and services	700 000					342 000	Reduced provision due to downsizing of the Force.
26. Claims and adjustments	199 910					54 500	Decreased number of claims is anticipated due to downsizing of the Force.
27. Official hospitality	2 000		*			3 000	
28. Miscellaneous other services	121 290		*			180 000	Based on past spending experience.
29. Stationery and office supplies	370 000		730 260			376 800	Based on 2000/01 spending experience (\$306,100).
30. Medical supplies	700 000		1 363 152			450 000	Reflects decreased requirement due to downsizing of the Force.
31. Sanitation and cleaning materials	302 000		243 420			217 900	Reflects decreased requirement due to downsizing of the Force.
32. Subscriptions	47 569		*			45 689	
33. Uniform items, flags and decals	366 393					222 600	Reflects decreased requirement due to downsizing of the Force.
34. Field defence stores	1 956 842		*			371 200	Reflects decreased requirement due to downsizing of the Force.
35. Operational maps	13 000					42 000	Reflects costs of (a) printing quantity 370 each of 8 sets of maps to replace worn-out maps in all the field units, and civilian and military offices; (b) upgrading map information database.
36. Quartermaster and general stores	985 739		*			684 400	Reflects decreased requirement due to downsizing of the Force.

Description	Previous submission	Average strength	Standard cost	Proposed estimates			Explanation
				Unit or	Monthly	Annual	
				daily	cost	cost	
				(United States dollars)			
37. Commercial freight and cartage	1 388 300		*			1 054 000	Reflects decreased requirement due to downsizing of the Force.
38. Training programmes							
Management training in UNIFIL	11 970		*			56 900	
Communication technical	10 000		*			10 000	
Sun system	2 000		*			-	
Transport	6 000		*			-	Cost estimate associated with this item is under travel only.
Electronic data processing	35 000		*			48 000	
Administration including budget, finance and procurement	18 000		*			12 000	
Skill development videos	500		*			-	
AIDS/HIV awareness training						4 000	
Travel for training	38 500		*			221 000	Includes local travel costs for staff for short course/training.

* No standard cost exists for this item.

**B. Distribution of resources by budgetary parameters:
standard and mission-specific costs**



C. Non-recurrent requirements

(United States dollars)

	(1)	(2)	(3)	(4)	(5)	(6)
				=(2)+(3)		=(4)+(5)
	Current inventory as at 30 June 2001	Proposed units		Total number of units	Unit cost	Total cost
		Replacement	Additional			
I. Operational requirements						
1. Premises and accommodation						-
2. Infrastructure repairs						-
3. Transport operations						
(a) Purchase of vehicles						
Sedan, heavy	10	1	-	1	25 000.0	25 000
Trailer, cargo, heavy	29	4	-	4	75 000.0	300 000
Subtotal	39	5	-	5		325 000
Freight at 15 per cent						48 750
Subtotal, line 3 (a)	39	5	-	5		373 750
(b) Rental of vehicles						25 800
(c) Workshop equipment						174 600
Total, line 3	39	5	-	5		574 150
4. Air operations						0
5. Naval operations						0
6. Communications						
(a) Communications equipment						
Antenna, UHF, various sizes	20	-	6	6	NA	10 340
Cable, connectors and accessories (UHF)					NA	5 000
Cable, power supplies, etc. (rural telephone)					NA	25 000
Radios, 7E, high power	24	-	6	6	7 280.0	43 680
Telephone set	2 000	250	-	250	42.0	10 500
Telephones, rural, 4/6 line, complete	85	8	5	13	15 000.0	195 000
MMU, various traffic capacity	20	-	6	6	3 330.0	19 980
SMU, various traffic capacity	8	-	6	6	1 825.5	10 953
Subtotal, line 6 (a)	2 157	258	29	287		320 453
(b) Workshop and test equipment						
Communications analyser	13	-	1	1	25 000.0	25 000
Drills, blowers, et cetera						1 000
RF attenuators and dummy loads						5 000
Toolbox, technician	10	-	4	4	1 100.0	4 400
Tools, replacement of old						4 000
Tools, UHF workshop						7 500
Subtotal, line 6 (b)	23	-	5	5		46 900
Total, line 6	2 180	258	34	292		367 353
7. Other equipment						
(a) Office furniture						
Bookcase	"	40	-	40	65.0	2 600
Bookshelf, wooden	"	40	-	40	103.0	4 120
Cabinet, cardex, 12 drawers	"	20	-	20	120.0	2 400
Cabinet, cardex, 16 drawers	"	30	-	30	90.0	2 700
Cabinet, cardex, 6 drawers	"	20	-	20	95.0	1 900
Cabinet, filing, 2 drawers	"	40	-	40	160.0	6 400
Cabinet, filing, 3 drawers	"	40	-	40	160.0	6 400
Cabinet, filing, 4 drawers	"	40	-	40	228.0	9 120
Cabinet, for stationery	"	40	-	40	158.0	6 320
Chair, executive, low back, swivel with arms, whl	"	60	-	60	160.0	9 600
Chair, soft seat with arms, fabric uph	"	60	-	60	77.0	4 620
Chair, stack-up, metal frame	"	300	-	300	79.0	23 700
Chair, typist, swivel, canvas uph	"	40	-	40	84.0	3 360
Desk, computer, wooden	"	60	-	60	174.0	10 440
Desk, executive, double pedestal	"	40	-	40	237.0	9 480

	(1)	(2)	(3)	(4)	(5)	(6)
	Current inventory as at 30 June 2001	Proposed units		*(2)+(3)		=(4)x(5)
		Replacement	Additional	Total number of units	Unit cost	Total cost
Desk, office, double pedestal	*	40	-	40	100.0	4 000
Desk, typist, single pedestal	*	40	-	40	82.0	3 280
Locker, steel, 6 compartment	*	60	-	60	95.0	5 700
Table, conference, 250x80x75cm	*	60	-	60	268.0	16 080
Table, no drawers, 130x80x75cm	*	40	-	40	95.0	3 800
Table, no drawers, 180x80x75cm	*	40	-	40	106.0	4 240
Subtotal, line 7 (a)		1 150	-	1 150		140 260
(b) Office equipment						
Photocopy machine, heavy duty	5	2	-	2	14 000.0	28 000
Subtotal, line 7 (b)	5	2	-	2		28 000
(c) Electronic data-processing equipment						
Camera, digital	24	2	-	2	1 250.0	2 500
Central back-up system					NA	30 000
Computer, desktop	493	100	-	100	1 550.0	155 000
Printer, desktop	263	50	-	50	700.0	35 000
Printer, ID	6	1	-	1	16 000.0	16 000
Printer, portable	7	1	-	1	350.0	350
Printer, work group	76	15	-	15	1 200.0	18 000
Projector	4	1	-	1	9 000.0	9 000
Scanner	21	3	-	3	850.0	2 550
Server, file	10	2	-	2	25 000.0	50 000
Uninterrupted power supply, desktop	409	100	-	100	350.0	35 000
WAN/LAN equipment and installation					NA	150 000
Subtotal, line 7 (c)	1 313	275	-	275		503 400
(d) Generator						0
(e) Observation equipment						0
(f) Petrol Tank and Metering Equipment						0
(g) Medical and dental equipment						
Autoclave, tabletop	17	3	-	3	5 000.0	15 000
Centrifuge	2	2	-	2	2 500.0	5 000
Defibrillator	14	2	-	2	5 000.0	10 000
Electro-cardiogram machine	-	2	-	2	7 000.0	14 000
Examination table	-	4	-	4	500.0	2 000
Intravenous rod	-	-	6	6	100.0	600
Lamp for surgical examination	21	2	-	2	4 000.0	8 000
Lamp, UV-bacteriological	-	-	10	10	150.0	1 500
Microscope binocular	8	1	-	1	4 000.0	4 000
Pulse oxymeter	2	1	-	1	8 000.0	8 000
Sealing machine	-	-	1	1	1 000.0	1 000
Stretcher, folded	-	-	10	10	100.0	1 000
Suction unit, electric, pump	1	4	-	4	1 500.0	6 000
Surgical instrument, set	-	3	-	3	2 000.0	6 000
Ventilation aid manual, portable	-	-	10	10	700.0	7 000
Wheelchair	5	2	3	5	600.0	3 000
Subtotal, line 7 (g)	70	26	40	66		92 100
(h) Accommodation equipment						
Bain-marie mobile	87	5	-	5	1 350.0	6 750
Chair, dining	-	320	-	320	18.0	5 760
Coffee maker	21	100	-	100	33.0	3 300
Dishwasher, domestic	1	4	-	4	435.0	1 740
Dishwasher, large	69	2	-	2	2 620.0	5 240
Dryer, clothes	36	15	-	15	190.0	2 850
Fan, ceiling	243	20	-	20	10.8	216
Fan, desk	108	60	-	60	10.0	600
Fan, pedestal	96	70	-	70	10.5	735
Freezer, deep, 390l	236	20	-	20	248.0	4 960

	(1)	(2)	(3)	(4)	(5)	(6)
	Current inventory as at 30 June 2001	Proposed units		=(2)+(3)		=(4)+(5)
		Replacement	Additional	Total number of units	Unit cost	Total cost
Freezer, upright, 300l	-	10	-	10	270.0	2 700
Gas cooker, 2-burner, large	-	3	-	3	500.0	1 500
Gas cooker, domestic and oven	93	4	-	4	300.0	1 200
Gas, 4-burner, heavy duty	-	3	-	3	1 056.0	3 168
Ice cube maker	15	1	-	1	585.0	585
Jug for coffee maker	21	10	-	10	12.0	120
Juice dispenser	81	25	-	25	350.0	8 750
Kitchen shelf, metal	-	15	-	15	190.0	2 850
Meat saw, electric	3	1	-	1	1 700.0	1 700
Microwave oven	340	40	-	40	195.0	7 800
Mixer	-	1	-	1	7 900.0	7 900
Oven, large, gas	7	4	-	4	2 750.0	11 000
Pan, tilting, 80l	10	2	-	2	2 031.0	4 062
Refrigerated unit, gas, 1800mm	-	2	-	2	1 950.0	3 900
Refrigerator, 310l	52	3	-	3	275.0	825
Refrigerator, 425l	-	10	-	10	340.0	3 400
Stove	93	6	-	6	1 000.0	6 000
Table, dining	80	40	-	40	162.0	6 480
Table, kitchen	308	2	-	2	270.0	540
Toaster, bread, 4 slices	62	40	-	40	170.0	6 800
Washing machine	69	15	-	15	270.0	4 050
Subtotal, line 7 (h)	2 131	853	-	853		117 481
(i) Miscellaneous equipment						
Engineering equipment						
Air conditioners	1 000	100	-	100	750.0	75 000
Fire-fighting equipment/tools	11 159	1 940	-	1 940	NA	111 120
Mine detector	37	3	-	3	6 150.0	18 450
Various engineering tools						24 000
Room heating equipment - military						
Damascus	-	350	-	350	40.0	14 000
Heater	120	200	-	200	1 000.0	200 000
Heater, kerosene	-	450	-	450	45.0	20 250
Spare parts						4 000
Wick for kerosene heater	2 222	2 500	-	2 500	2.3	5 750
Helipad lighting system	-	-	3	3	8 500.0	25 500
Subtotal, line 7 (i)	14 538	5 543	3	5 546		498 070
Total, line 7	18 057	7 849	43	7 892		1 379 311
8 Air and surface freight						0
Total, category I	20 276	8 112	77	8 189		2 320 814
II. Other programmes						
1. Election-related supplies and services						0
2. Public information programmes						0
3. Training programmes						0
4. Mine-clearing programmes						0
5. Assistance for disarmament and demobilization						0
Total, category II						0
Total, categories I-II	20 276	8 112	77	8 189		2 320 814

* Classified as expandable items in the Field Assets Control System (FACS).

Annex III

Implementation of previous recommendations of the Advisory Committee on Administrative and Budgetary Questions

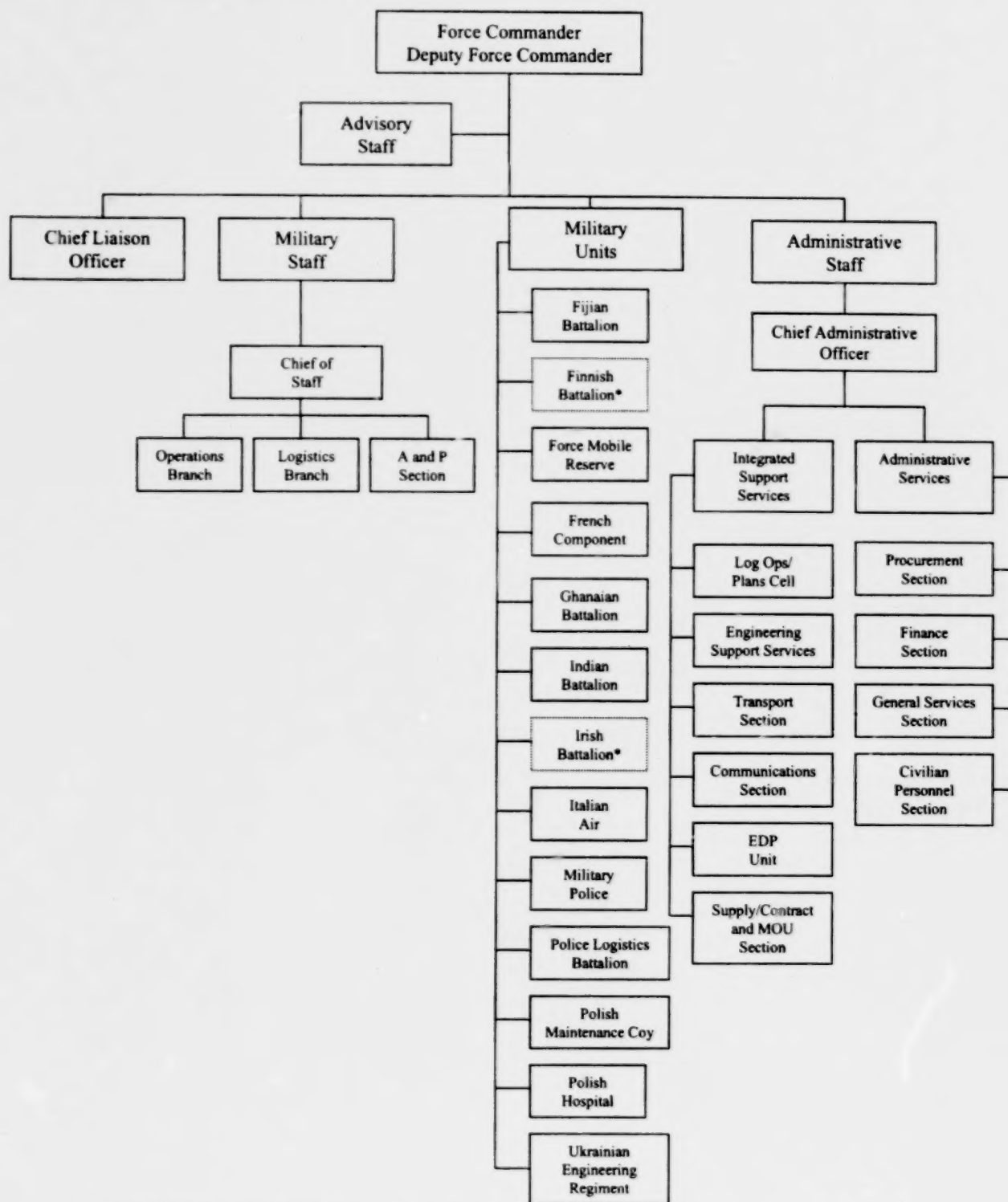
During the meetings held on 22 and 23 February 1996 on the financing of the United Nations Disengagement Observer Force (UNDOF) and UNIFIL, the Advisory Committee on Administrative and Budgetary Questions requested the information be provided on the estimated cost to the United Nations Truce Supervision Organization (UNTSO) of direct support to UNDOF and UNIFIL. Since then, the Secretariat has been providing such information on a regular basis. The table below provides updated information for the biennium 2000/2001.

United Nations Truce Supervision Organization: Estimates of direct support provided to the United Nations Interim Force in Lebanon for the period from 1 January 2000 to 31 December 2001

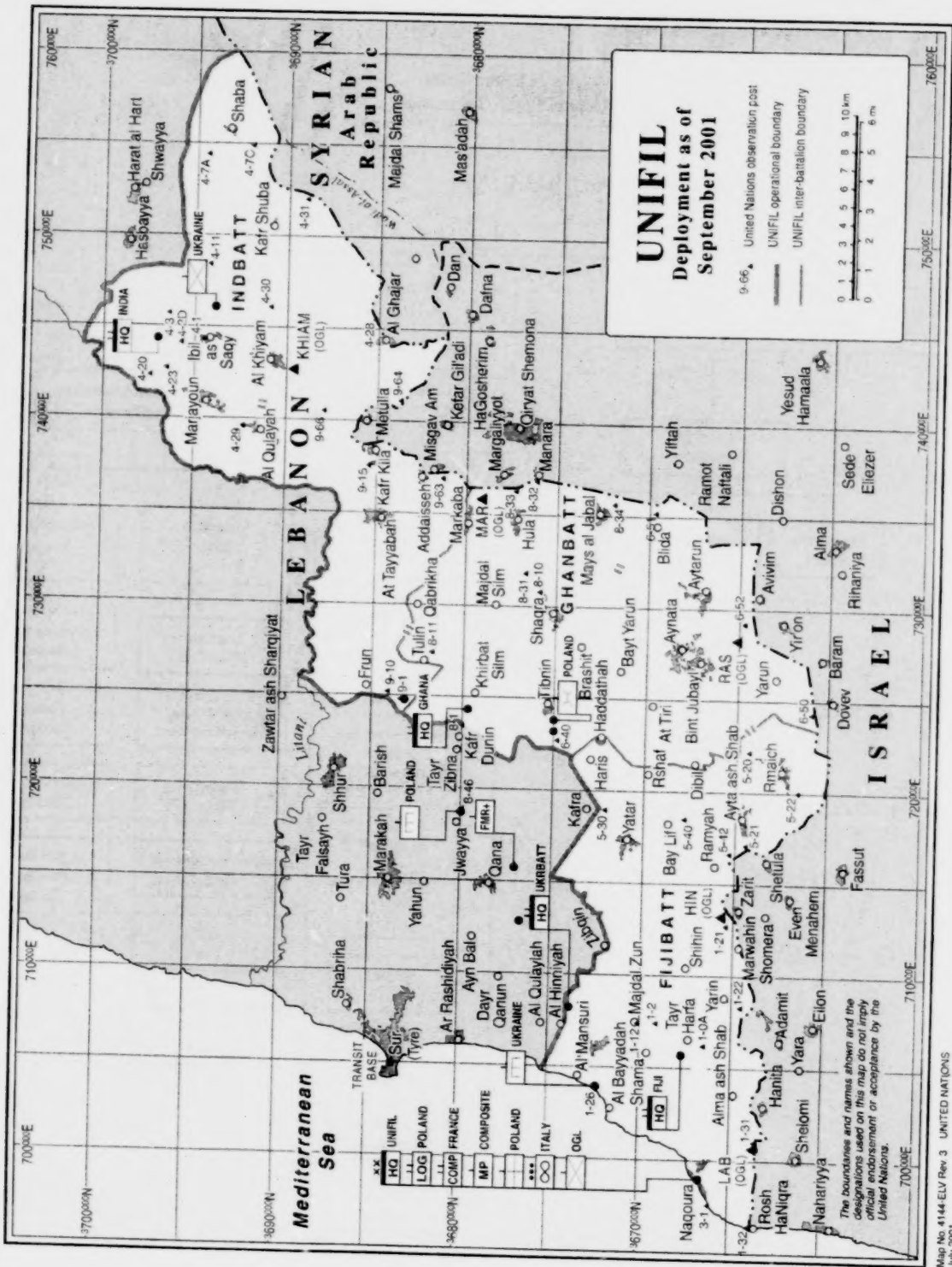
(Thousands of United States dollars)

	2000-01
1. Posts	1 046.8
2. Other staff costs	2 495.4
3. Travel	998.1
4. General operating expenses	213.6
5. Supplies and material	71.8
6. Equipment	14.8
Total	4 840.5

Organizational Chart



* Finish and Irish Battalions are due to be repatriated in Oct./Nov. 2001.



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Fifty-sixth session

Agenda item 134 (b)

**Financing of the United Nations peacekeeping forces in the
Middle East: United Nations Interim Force in Lebanon**

Budget for the United Nations Interim Force in Lebanon for the period from 1 July 2001 to 30 June 2002

Report of the Secretary-General

Corrigendum

Paragraph 2

The third sentence should read

In the case of UNIFIL, the Security Council, by its resolution 1337 (2001) of 30 January 2001, had expected and requested the Secretary-General to submit, by 30 April 2001, a detailed report on the plans for the reconfiguration and on the tasks that could be carried out by the Force



**General Assembly
Security Council**

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**General Assembly
Fifty-sixth session**

Agenda item 43

**The situation in Afghanistan and its implications
for international peace and security**

**Security Council
Fifty-sixth year**

**Identical letters dated 3 October 2001 from the Secretary-General
addressed to the President of the General Assembly and the
President of the Security Council**

In view of the grave humanitarian and political situation affecting Afghanistan and the surrounding region, it is my intention to reappoint Mr. Lakhdar Brahimi as my Special Representative for Afghanistan. It may be recalled that in 1999 I indicated that Mr. Brahimi's activities would be "frozen" until such time as circumstances changed to justify his renewed intervention (see A/54/536-S/1999/1145). I believe strongly that the time has come for him to resume his role.

I would want to entrust my Special Representative with overall authority for the humanitarian and political endeavours of the United Nations in Afghanistan. He will also initiate preparations for the development of plans for the rehabilitation of that shattered country. Mr. Brahimi will oversee the activities of, and will be supported by, the two existing pillars of the United Nations system specifically responsible for activities in Afghanistan: the United Nations Special Mission to Afghanistan and the Office for the Coordination of Humanitarian Assistance of the United Nations Secretariat.

My Special Representative will keep the members of the General Assembly and of the Security Council regularly informed of his ongoing activities.

Attached is a copy of Mr. Brahimi's terms of reference (see annex).

I would be grateful if you would bring this matter to the attention of the members of the General Assembly and of the Security Council.

(Signed) Kofi A. Annan



Annex

Special Representative for Afghanistan

Terms of reference

The mandate of the Special Representative encompasses political and humanitarian aspects. In this connection, he will have overarching authority over United Nations activities in Afghanistan and the region. While focusing initially on peacemaking efforts and humanitarian needs, he will also initiate preparations for the transition to the rehabilitation phase. He will oversee and provide guidance and direction to relevant United Nations programmes and offices in order to ensure overall coordination and coherence of action.

With regard to political activities, the Special Representative will work closely with the Department of Political Affairs of the United Nations Secretariat and the Personal Representative of the Secretary-General for Afghanistan and with the United Nations Special Mission to Afghanistan, which was established by the General Assembly in its resolution 48/208. He will manage peacemaking activities involving the warring parties and others concerned, with a view to facilitating the establishment of a fully representative multi-ethnic and broad-based government.

The humanitarian dimensions of the mandate of the Special Representative will be carried out in close consultation with the Emergency Relief Coordinator and the Regional Humanitarian Coordinator for the Afghan Crisis. He will oversee negotiations with all concerned parties for safe and unhindered humanitarian access to all populations in need, and will advocate for humanitarian space and the rights and protection of affected populations. The Special Representative will ensure that the humanitarian and human rights dimensions of the evolving situation are central to political and security discussions.



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Agenda item 166

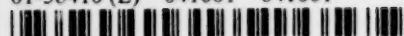
Measures to eliminate international terrorism

**Letter dated 3 October 2001 from the Permanent Representative
of the Russian Federation to the United Nations addressed to the
Secretary-General**

I have the honour to transmit herewith a statement by the Heads of Government of the States Members of the Commonwealth of Independent States in connection with the acts of international terrorism perpetrated in the territory of the United States of America on 11 September 2001, adopted on 28 September 2001 in Moscow (see annex).

I should be grateful if you would have this letter and its annex circulated as a General Assembly document under agenda item 166.

(Signed) Sergei Lavrov



Annex to the letter dated 3 October 2001 from the Permanent Representative of the Russian Federation to the United Nations addressed to the Secretary-General

Statement by the Heads of Government of the States Members of the Commonwealth of Independent States

The Heads of Government of the States Members of the Commonwealth of Independent States, gathered in Moscow for the meeting of the Council of Heads of Government of the Commonwealth of Independent States, firmly condemn the unprecedented act of international terrorism perpetrated in the territory of the United States of America on 11 September 2001, and sincerely express deep sympathy to all the victims and to the families and friends of those who perished. We stress that the brazen challenge of the terrorists must be collectively rebuffed by the international community.

Today international terrorism has become one of the primary threats to security and stability in the world. There is a need to move from political declarations to concrete action, and to work out a strategy and mechanism for long-term international cooperation to ensure the effectiveness of antiterrorist measures. Such measures should be carried out in accordance with the Charter of the United Nations, in strict observance of the norms of international law. They must be designed not only to prevent a repetition of the tragedies and neutralize terrorist centres and their leaders, but also to eliminate the breeding ground for terrorism and other violent manifestations of extremism.

Particular attention should be paid to measures to block the financing of terrorist and extremist organizations and groups, and these efforts should aim to ensure both the security of the State itself and its own nationals, and, to an equal extent, that of other States and their nationals.

The centre for the coordination of all-round antiterrorist cooperation among States, including cooperation at the regional level, should be, in the first place, the United Nations, and its Security Council.

The States Members of the Commonwealth of Independent States, which are implementing a range of measures, on a coordinated legal basis, to combat international terrorism, offer an example of consistent regional cooperation in this sphere. The antiterrorist centre of the Commonwealth of Independent States has been established and has started work. We intend to enhance the level of mutual trust and efficiency in the work of the security bodies and special services of member States in order to make antiterrorist cooperation within the framework of the Commonwealth of Independent States more successful.

We confirm our readiness to take part in the efforts of the international community to establish a global security system capable of withstanding the new threats and challenges, and to this end to cooperate closely with all States, international organizations and regional structures.

Moscow, 28 September 2001



General Assembly

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Fifty-sixth session

Agenda item 106 (a)

Third United Nations Conference on the Least Developed Countries

Resources available to the Office of the Special Coordinator for Least Developed, Landlocked and Island Developing Countries for the biennium 2000-2001

Report of the Secretary-General*

1. The General Assembly, in paragraph 15 of its resolution 55/214 of 20 December 2000, noted the current level of regular budget resources available to the Office of the Special Coordinator for Least Developed, Landlocked and Island Developing Countries and requested the Secretary-General to ensure that sufficient resources were made available throughout the remainder of the current biennium, through judicious management of the resources at his disposal, and to report on the matter at its fifty-sixth session.
2. In response to that request, the present report provides information on the regular and extrabudgetary resources made available during 2001 to the Office of the Special Coordinator for Least Developed, Landlocked and Island Developing Countries of the United Nations Conference on Trade and Development (UNCTAD).
3. At the beginning of the current biennium, there were resources for 15 Professional and 9 General Service posts in the Office of the Special Coordinator, together with resources for other staff costs, consultants and experts, travel and contractual services. In mid-2000, two additional established Professional posts were assigned to the Office from elsewhere in UNCTAD so as to strengthen the Office of the Special Coordinator. This action is included in the proposed programme budget for the biennium 2002-2003 (A/56/6 (Sect. 11A), paras. 11A.44 and A.11A.31). Most of those posts including the additional regular budget posts provided to the Office in December 1999 pursuant to General Assembly resolution 54/249, were encumbered during the biennium. By the end of the current biennium, the resources available for non-post purposes (consultants and experts and travel) will have been fully utilized.

* The footnote requested by the General Assembly in its resolution 54/248 was not included in the submission.



4. In accordance with the recognition by States represented at the ninth session of UNCTAD, held in 1996 in South Africa, of the cross-sectoral nature of the problems experienced by least developed countries, the activities of UNCTAD pertaining to least developed, landlocked and small island developing States are mainstreamed or carried out by each of the substantive programmes of the secretariat. Accordingly, throughout the biennium, considerable regular budget resources in UNCTAD were used for preparations for the Third United Nations Conference on the Least Developed Countries, held in Brussels in May 2001, in addition to the work carried out by the staff of the Office of the Special Coordinator. Such staff will continue to be engaged in activities in follow-up to the Conference that are to be carried out by UNCTAD within its mandate.

5. In December 1999, the General Assembly provided additional general temporary assistance and other resources to UNCTAD under section 11A of the programme budget in the amount of \$616,400 for the purpose of assisting in the preparations for the Conference. Those resources consisted mainly of 48 work-months of Professional staff and \$70,000 in the form of funds for travel of UNCTAD staff to preparatory meetings, including those of the Intergovernmental Preparatory Committee for the Conference, held in New York. Those resources were fully expended or committed as at mid-2001.

6. A number of bilateral and other donors made extrabudgetary contributions to UNCTAD for the purpose of its work in assisting in the preparations of the Conference, including Belgium, Denmark, Finland, France, Ireland, Italy, the Netherlands, Norway, Sweden and Switzerland, in the aggregate amount of about \$3.5 million. Those resources were extremely helpful in facilitating: (a) country-level preparations; (b) the organization of regional and thematic preparatory meetings; and (c) the participation of officials from least developed countries in the intergovernmental preparatory meetings. The European Commission, acting on behalf of the European Union as host for the Conference, also made a substantial financial contribution to the Conference itself, including for the active involvement of non-governmental organizations in the Conference and its preparatory process.

7. During the current biennium, the UNCTAD secretariat also undertook other mandated activities related to least developed, landlocked and small island developing States, including for example, the preparation of the annual report on the least developed countries. The various arrangements described above enabled the Secretary-General to ensure that the UNCTAD secretariat as a whole, and the Office of the Special Coordinator in particular, was able to complete the preparatory process in a satisfactory manner and without prejudice to the other mandated activities of the secretariat.



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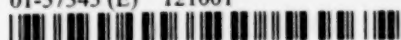
Item 95 (a) of the provisional agenda

Macroeconomic policy questions: trade and development

Measures taken to initiate the preparatory process for the final review and appraisal of the implementation of the United Nations New Agenda for the Development of Africa in the 1990s

Report of the Secretary-General*

* The footnote requested by the General Assembly in its resolution 54/248 was not included in the submission.



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Abbreviations

ACP	African, Caribbean and Pacific (group of States)
AEC	African Economic Community
AERC	African Economic Research Consortium
CI	competitiveness indicator
DAC	Development Assistance Committee (of OECD)
ECA	Economic Commission for Africa
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FAOSTAT	Food and Agriculture Organization of the United Nations statistical database
FDI	foreign direct investment
FUGI	Future of Global Interdependence (model)
GATS	General Agreement on Trade in Services
GDP	gross domestic product
GNP	gross national product
GSP	generalized system of preferences
HIPC	heavily indebted poor country
IMF	International Monetary Fund
LDCs	least developed countries
MENA	Middle East and North Africa (region)
NIEs	newly industrializing economies
OAU	Organization of African Unity
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
RSA	Republic of South Africa
SSA	sub-Saharan Africa
TNCs	transnational corporations
TRIMs	trade-related investment measures
TRIPs	trade-related intellectual property rights
UN-NADAF	United Nations New Agenda for the Development of Africa in the 1990s
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
WB	World Bank
WTO	World Trade Organization

A. Introduction

It is recalled that the Trade and Development Board considers at its annual sessions a substantive report by the UNCTAD secretariat on African development in the context of the implementation of the United Nations New Agenda for the Development of Africa in the 1990s (UN-NADAF). The General Assembly, in its resolution 55/182, requested the initiation by UNCTAD of a contribution, in areas falling within its mandate, to the preparatory process for the final review and appraisal of the implementation of the UN-NADAF. The present report is being submitted both to the Trade and Development Board at its forty-eighth session and to the General Assembly at its fifty-sixth session.

The New Agenda had as its priority objectives the accelerated transformation, integration, diversification and growth of the African economies in order to reduce their vulnerability to external shocks and increase their dynamism, internalize the process of development and enhance self-reliance. It considered that an average real growth rate of at least 6 per cent per annum was required for the continent to achieve sustained and sustainable economic growth and equitable development, increase income and eradicate poverty. The agenda reflected a mutuality of commitments and accountability by the African countries on the one hand and the international community on the other.

In 1996, the General Assembly conducted a Mid-term Review of the implementation of the UN-NADAF, wherein it was recognized that the majority of African countries had embarked on a process of structural adjustment and a wide range of economic reforms.

Nevertheless, many of the critical social and economic problems which had led to the adoption of the UN-NADAF remained, including an increase in the level of poverty and the fact that key development targets and goals had not been met.

African countries remain by and large dependent on the export of a few commodities, and terms of trade losses have further aggravated their capacity to invest in human and physical infrastructure. Present levels of national savings and investment are insufficient to ensure a process of accumulation necessary to place Africa on a sustainable growth path. Despite commitments by the international community to assist Africa in its efforts to achieve accelerated growth, the support provided has fallen far short of expectations. Indeed, official development assistance has suffered a continuous downward trend, representing less than one-third of the internationally agreed targets. Furthermore, despite recent action for the reduction of African debt, including the enhanced HIPC initiative, a permanent exit from debt problems is proving elusive.

This report reviews Africa's development in the 1990s and analyses the domestic and external impediments to sustained and rapid growth in Africa. It discusses *inter alia* policy options for enhancing growth and development in Africa in order to meet the objectives set forth by the international community, including that of reducing poverty by half by the year 2015 as contained in the Millennium Declaration. It draws on previous research done in UNCTAD on African development, as well as on new research, particularly with respect to investment, savings and growth, and trade performance and terms of trade.

B. Recent economic performance

1. Output growth

Africa as a whole experienced moderate growth from the mid-1960s until the end of the 1970s. While the average growth rate was well below the rate achieved by a handful of East Asian economies, it equalled or exceeded the growth rates attained by many developing countries in other regions. In particular there was a notable acceleration of growth in sub-Saharan Africa (SSA)¹ during the 1970s (table 1), supported by a boom in commodity prices and foreign aid. Investment in many countries in the region exceeded 25 per cent of GDP, and the savings gap remained relatively moderate.

Economic performance deteriorated rapidly in SSA in the late 1970s and early 1980s, whereas the slowdown of growth was relatively moderate in North Africa. Unlike many countries in other developing regions which managed to restore growth after the lost decade of the 1980s, stagnation and decline continued in SSA during the first half of the 1990s due to a combination of adverse external developments, structural and institutional bottlenecks and policy errors, examined in some detail in earlier work undertaken by the UNCTAD secretariat.² As socio-economic conditions deteriorated and spilled over into political and civil unrest, the international community launched various initiatives including UN-NADAF, to address the problems faced by the countries in the region. At the same time, more and more African countries came to adopt structural adjustment programmes supported by the Bretton Woods institutions, encompassing rapid and extensive liberalization, deregulation and privatization of economic activity in search for a solution to economic stagnation and decline. However, while structural adjustment programmes have been applied more intensely and frequently in Africa than in any other developing region, barely any African country has exited from such programmes with success, establishing conditions for rapid, sustained economic growth. This is true not only for countries which are said to have slipped in the implementation of stabilization and adjustment programmes (the so-called non-adjusters or bad-adjusters), but also most of the core- and good-adjusters.

The widespread pessimism about African prospects was somewhat dispelled by a fairly broad-based economic upturn which started in the mid 1990s and allowed the average income growth rate to exceed the population growth rate for four consecutive years, thereby resulting in gains in per capita income across the continent for the first time for many years (table 2). The performance of SSA was even stronger without Nigeria, where growth remained below the average of the other countries in the region. Similarly the Republic of South Africa (RSA) had a relatively poor performance, particularly towards the end of the decade. Growth in RSA and Nigeria together, which account for about 50 per cent of the total GDP of the continent excluding North Africa, was about 2.2 per cent per annum during

¹ In this report, unless otherwise specified, the term sub-Saharan Africa (and the abbreviation "SSA") refers to all countries in Africa other than South Africa and the countries in North Africa (Algeria, Egypt, Libyan Arab Jamahiriya, Morocco and Tunisia).

² Press, Geneva, Oxford and Trenton NJ, 1999. This work is based on UNCTAD, *Trade See African Development in a Comparative Perspective*, UNCTAD, James Currey and Africa World and Development Report, 1998, Part Two, United Nations, New York and Geneva. In what follows, references will be given to the former.

1995-1999, while the remaining countries in SSA had a moderate growth rate of 4.2 per cent per annum over the same period. Nevertheless, there was a generalized slowdown at the end of the decade throughout the region, including North Africa, which appears to have continued through 2000, when the growth rate of SSA fell to 2.7 per cent, barely matching the growth rate of population.³

Despite the recent upturn, per capita income in SSA at the turn of the new century is 10 per cent below the level reached in 1980, and the gap is even larger compared to the level attained three decades earlier. Economic growth remains well below the UN-NADAF target of 6 per cent per annum. For the region as a whole, only two countries, i.e. Mozambique and Uganda, met this target during the past decade. Growth rates needed to attain the more recent target of reducing African poverty by half by 2015 are estimated to be even higher than the UN-NADAF target of 6 per cent. On the basis of recent trends, these targets are unlikely to be reached.⁴

2. Sectoral developments

Industrial growth has fallen behind GDP growth in SSA since 1980. Taking period averages, the elasticity of industrial value added with respect to GDP was 1.10 and 1.03 during the 1960s and 1970s respectively, but it declined to 0.75 for the 1980s and to 0.65 for the 1990s. This constitutes an important shift from the emphasis on industrialization associated with the much-criticized "urban bias" of the earlier decades. De-industrialization, at least in some African countries, appears to have been associated with trade liberalization and the decline of state-owned enterprises which, in many countries, had constituted the major segment of large-scale industry. As things stand now, industrial growth in SSA is becoming more and more dependent on agricultural growth either through backward linkages or through demand originating from rural population.⁵

Agriculture has always been crucial for African economic growth. For the 1990s, average annual agricultural growth rates for Africa, SSA and North Africa were 2.6, 2.5 and 2.8 per cent respectively (table 3). While the growth rate of agricultural output was slightly below the growth rate of population in SSA (2.6 per cent per annum), it exceeded by a large margin the population growth in North Africa (1.6 per cent per annum), thereby producing a significant increase in per capita agricultural output. Cereal output, on the other hand, fell behind population growth in both SSA and North Africa.

Figures in table 4 show that there is considerable variation among countries regarding agricultural growth. While 30 countries experienced declines in per capita agricultural output between 1990 and 2000, in 10 countries there were moderate increases

³ Population growth rates in SSA declined from 2.8 per cent in the 1970s to 2.6 per cent in the late 1990s. North Africa, on the other hand, experienced a sharper decline, from 2.4 per cent to 1.7 per cent, over the same period.

⁴ ECA's regional and subregional estimates for required annual growth rates up to 2015 to attain the foregoing poverty-reduction target are 5-6 per cent for North and Southern Africa, 6-7 per cent for Central Africa, 7-8 per cent for West and East Africa and 6.8 per cent for all Africa (ECA, *Economic Report on Africa 1999*, Addis Ababa, p. 24).

⁵ ECA, *Transforming Africa's Economies: Overview*, Addis Ababa, 2001, p. 4. On the policies contributing to de-industrialization in SSA, see F. Noorbakhsh and A. Paloni, "Structural Adjustment Programs and Industry in Sub-Saharan Africa: Restructuring or De-industrialization", *The Journal of Developing Areas*, Vol. 33, Summer 1999.

(i.e. less than one per cent per annum) and in 12 countries⁶ increases exceeding one per cent per annum. Good weather in most of SSA from 1993 until 1998 (with the exception of 1997) made a significant contribution to agricultural growth, which averaged 3.9 per cent per annum for 1993-1996 and 3.1 per cent for 1995-1998. Egypt attained an average of 4.2 per cent agricultural growth during the same period, while for North Africa as a whole the highest growth rate was reached in 1996.

There appears to be a very weak relation between agricultural policy reforms and output growth. Deregulation of agricultural markets seems to have failed to trigger the expected supply responses in most countries.⁷ Increases in agricultural output in the mid-1990s were associated with improved terms of trade, which also played a major role in the acceleration of overall growth in the second half of the 1990s. But agricultural performance generally deteriorated with adverse weather conditions towards the end of the decade, as well as with the worsening of the terms of trade after 1997. The current situation has, once again, become precarious, particularly for food crops. Drought, prolonged dry spells and floods in 2000 and 2001 have undermined optimism, raised doubts about the sustainability of rising crop yields and resulted in much lower agricultural and especially cereal output in the continent. Low prices at planting time are seen by FAO as another factor behind declining cereal production, and FAO has warned the international community that 28 million Africans are facing severe food shortages in 2001.⁸

Moderate growth in agriculture and the poor performance of industry has meant that much of the African growth in the past decade came from the services sector. Comparing 1997 with 1980, the share of services within GDP rose from 38.7 to 48.6 per cent as shares of agriculture and industry declined from 22.3 to 19.5 per cent and from 39 to 31.9 per cent respectively.⁹ Such a steep decline in the share of industry at an early stage of industrialization and development suggests that the growth process in the region is highly fragile.

C. Factors affecting growth prospects

No process of growth can be sustained without capital accumulation. While considerable productivity gains could be attained by more intensive and efficient use of existing resources, such gains would be one-off and unlikely to lead to rapid and

⁶ Benin, Burkina Faso, Chad, Egypt, Ghana, Libyan Arab Jamahiriya, Malawi, Nigeria, Sao Tome and Principe, Seychelles, Sudan and Togo.

⁷ Out of the 10 countries in SSA where agriculture grew significantly faster than population during the 1990s, only Ghana, Malawi and Nigeria were considered by the World Bank to be among the "core group of adjusters" in 1993 (*African Development in a Comparative Perspective*, UNCTAD, James Currey and Africa World Press, Geneva, Oxford and Trenton NJ, 1999, table 1, p. 12). Another criterion of reform used by the World Bank (*Adjustment in Africa*, Oxford, Oxford University Press, 2001, p. 239, table A.13) is the degree of intervention in agricultural markets. Three of the countries with significant agricultural growth during the 1990s (Benin, Ghana, Burkina Faso) are among the "high intervention" countries and three (Chad, Nigeria, Malawi) among the "low intervention" countries, while one (Togo) is on the borderline. As also pointed out by ECA: "Reforms did not elicit the expected supply response... Agricultural development should therefore go beyond 'getting the prices right' and focus more on increasing productivity by removing the institutional and structural constraints." (*Transforming Africa's Economies: Overview*, Addis Ababa, 2001, p. 39)

⁸ FAO, *Africa Report No. 1*, April 2001.

⁹ ECA, *Economic Report on Africa 1999*, Addis Ababa, p. 7.

sustained growth unless translated into investment in productive capacity, including physical and human infrastructure.¹⁰ The difficulties in raising domestic savings to support rapid capital accumulation and growth in low-income economies unable to provide the basic needs of the population are well known. While appropriate policies may help raise the savings rate once sustained growth is under way, in such countries sizeable increases in domestic savings cannot be expected to take place as a pre-condition for acceleration of investment and growth.

The problem of inadequate resources for accumulation and growth is further aggravated in Africa by the adverse terms of trade movements that the continent has been suffering in the past two decades. Declines in real commodity prices, particularly for agricultural commodities, and terms of trade not only syphon off the resources needed for investment and growth, but also constitute disincentives for private capital accumulation, particularly where government intervention in agricultural pricing and marketing boards have been dismantled and producers are left to face constantly falling real prices. Under such conditions, attaining rapid and sustained growth would depend on the provision of external financing, not only to compensate for the resource drain through terms of trade losses but also to supplement domestic savings. Given that private capital flows, including FDI, lag rather than lead economic growth, such financing would have to rely on official sources.¹¹ On this score too the recent trend is not very encouraging; not only has the region been unable to participate in the recovery of private capital flows to developing countries that began in the early 1990s, but it has also faced stagnant or falling official financing.

There can be little doubt that, even under a favourable external trading and financial environment, considerable domestic policy efforts would be needed to ensure that economies gradually become self-reliant in sustaining rapid growth. Successful examples of growth in East Asia show that while foreign savings play an important role in the earlier stages of capital accumulation, subsequently high rates of investment need to be supported by rising domestic savings. Again, foreign markets play a crucial role in this process. Export growth supports investment because it helps to earn foreign exchange needed for capital goods imports and advanced technology. New investment supports exports by providing the basis for productivity growth and increased competitiveness and by allowing production to be shifted towards products with high income elasticity, thereby helping to avert terms of trade losses. Successful examples of industrialization and growth are thus underpinned by rising rates of savings, investment and exports.

While African countries have in the past experienced surges of investment and growth, they have not in general been able to establish a virtuous circle of investment, savings and exports.¹² The post-colonial growth surges in SSA mentioned above were too often followed by widespread investment slumps, rather

¹⁰ On the importance of investment in infrastructure in Africa, see World Bank, *Can Africa Claim the 21st Century?*, Washington, D.C., 2000, pp. 132-142; UNCTAD, "African Transport Infrastructure, Trade and Competitiveness", TD/B/46/10, Geneva, 1999; and African Development Bank, *African Development Report 1999*, Part 2, Oxford University Press.

¹¹ For evidence on the relation between growth and private capital flows, see UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000.

¹² For an analysis of the investment-savings-export nexus and a comparison of African and East Asian experiences, see Y. Akyüz and C. Gore, "African Economic Development in a Comparative Perspective", *Cambridge Journal of Economics*, Vol. 25/3, May 2001.

than being translated into a virtuous growth process through complementary increases in domestic savings and exports. A close look at the recent trends and patterns in investment and savings and external trade and financing suggests that the current configuration of domestic and external factors is also far from establishing mutually reinforcing impulses of economic growth and structural change.

1. Investment and savings: trends and patterns

For the continent as a whole, both domestic savings and investment ratios dropped significantly in the 1980s compared to the 1970s, and the recovery in the latter half of the 1990s was not strong enough to restore the levels attained during the latter half of the 1970s (table 5). Indeed, both savings and investment rates of the 1990s are below the levels attained in the difficult years of the 1980s.

This trend has been greatly influenced by sharp drops in North Africa and RSA. In the former subregion both investment and savings rates show almost continuous declines since the 1970s; in particular the investment ratio underwent a sharp decline from more than one-third of GDP in the late 1970s to less than one-quarter in the late 1990s. The deterioration in the savings and investment ratios since the 1970s is greater for the rest of the region taken together (that is, SSA plus RSA) than for SSA alone. For SSA, both savings and investment rates experienced sharp declines during the 1980s, and while the investment rate registered a moderate recovery in the 1990s, the savings rate lagged considerably behind, resulting in a larger savings-investment gap and increased dependence on external financing. Moreover, even at the levels attained by the late 1990s, capital accumulation and savings rates in SSA were much lower than the levels reached two decades earlier and significantly below the levels required to meet the 6 per cent growth target.

There are considerable variations among the countries in the region regarding the evolution of their savings, investment and growth rates. Tables 6a and 6b classify countries according to changes in their average growth rates and savings and investment ratios between the 1980s and 1990s. The number of countries with better and worse performance during the 1990s in terms of savings and growth rates is roughly equal. On the other hand, investment rates show declines in 23 countries and increases in only 16 countries. A comparison between the first and second half of the 1990s shows a more favourable picture, with 29 out of 39 countries attaining higher GDP growth rates in the second half. However, this acceleration of growth is not accompanied by an equally widespread improvement in investment and savings rates; countries with higher investment and savings rates in the second half of the 1990s number 18 and 20 respectively, compared to 21 and 19 countries with declining investment and savings rates respectively.

A closer examination of tables 6a and 6b reveals different configurations of savings, investment and growth rates, with different implications for growth prospects:

- A small number of countries show a virtuous process of accumulation, combining faster growth with rising savings rates. This group includes Mozambique, Uganda, Ghana, Mali and Nigeria, where acceleration of growth is quite significant, exceeding 2 percentage points per annum. A further group, consisting of Madagascar, Central African Republic and Benin, also falls into this category, but with moderate improvements in growth. In the majority of countries in this group, the recovery in investment rates exceeds the increases in savings rates, implying rising external deficits and increased dependence on external financing.

- A second group combines rising investment and growth rates with falling savings rates: Namibia with strong improvement in growth and Seychelles with moderate improvement. Clearly, such a process is not sustainable in so far as there are limits to external financing to meet the domestic savings gap.
- A number of countries combine increased growth rates with declining investment ratios, with savings rates rising or falling. These include Niger, Côte d'Ivoire, Gabon, South Africa, Togo, Malawi, Mauritania and Tunisia, with the first three countries showing strong improvement in GDP growth rates. Clearly, such growth results from improved or fuller utilization of the existing resources, but cannot be sustained unless translated into increased investment.
- A group of countries had declining growth rates despite rising investment ratios (Zimbabwe, Burkina Faso and Chad). While this is often explained in terms of increases in capital-output ratios and rising inefficiency and wasteful accumulation,¹³ it can also reflect continued policy emphasis on accumulation despite under-utilization of existing production capacity due to balance-of-payments or demand constraints. Such a phenomenon was quite widespread in the 1980s, when external aid was made available for investment but not for general balance-of-payments support.
- Finally, a large number of countries combine declining growth rates with lower investment ratios. Some of these had experienced relatively high growth and investment rates in the 1980s, and despite the subsequent slowdown these countries attained positive per capita income growth rates in the 1990s (Botswana, Egypt and Morocco).¹⁴ For others, deceleration in accumulation meant stagnation or decline in per capita incomes (Algeria, Kenya, Democratic Republic of the Congo, Cameroon, Burundi, Rwanda, Zambia, Comoros, Guinea-Bissau, Swaziland and Congo).¹⁵ Most of the latter countries also experienced declines in savings rates.

Thus, the recent trends in investment and savings rates in SSA suggest that a large majority of the countries in the region have not been able to move into a faster and sustainable growth path despite the improvement in their overall growth performance in the 1990s. Of the 39 countries included in tables 6a and 6b, only 5 have been able to combine a significant acceleration in growth with rising investment and savings rates in the 1990s compared to the 1980s. The rest show either stagnant accumulation and growth rates, or a one-off surge in growth not underpinned by rising investment and/or savings.

2. *External financing and debt*

The international community has repeatedly emphasized the role of external financing in closing the resource gap in Africa and raising investment levels so as to meet various targets set with respect to GDP growth and poverty alleviation, including the United Nation's growth target of 6 per cent per annum. However, while the gap between the level of investment needed and the domestic resources available

¹³ See ECA, *Transforming Africa's Economies: Overview*, Addis Ababa, 2001, p. 29.

¹⁴ Between the early and late 1990s, all three countries moved into higher growth despite declining investment rates.

¹⁵ Between the early and late 1990s, Comoros, Guinea-Bissau and Swaziland experienced declines in investment and growth rates; growth in Congo continued to fall despite rising investment rates; Democratic Republic of the Congo, Cameroon, Rwanda and Zambia moved into a rising investment and growth path; and Algeria and Kenya attained higher growth despite declining investment rates.

has tended to rise during the past two decades, total net capital inflows to the region have stagnated or fallen.

Unlike many developing countries which experienced sharp declines in capital flows in the 1980s as a result of a drastic cutback in bank lending, total net capital inflows to SSA as a proportion of GNP registered a moderate increase in the 1980s compared to the 1970s, but they fell somewhat in the 1990s. Excluding Nigeria, total net capital inflows were lower in the 1990s than in the 1970s.¹⁶ The decline is even more striking when capital flows are expressed in per capita terms or in real terms (i.e. deflating the current values by the import price index in order to express them in terms of their purchasing power over foreign goods). In per capita terms, capital inflows to SSA reached a peak in 1981, fluctuated around a declining trend until 1990 and fell thereafter almost continuously (chart 1). In real terms, the decline is even more pronounced; by 2000, real per capita inflows were less than one-third of the level reached two decades earlier. The share of SSA in total capital inflows to developing countries declined to a mere 10 per cent in the 1990s from more than 20 per cent in the 1980s.

In the 1990s private capital inflows, as a proportion of GNP, were on a downward trend both for SSA and North Africa despite efforts to attract such capital, notably FDI. While they averaged more than 4 per cent of GNP for emerging markets, the proportion has remained less than 2 per cent in SSA. Much of these flows consists of FDI in a handful of oil and mineral rich countries, even though some North African countries have received portfolio inflows.

Total official inflows as a proportion of GNP in SSA rose during the 1980s. For the 1990s the figure was again higher, but the rise occurred only in the first half of the decade, with a sharp increase in ODA grants. After 1994, total official inflows fell sharply as a percentage of GNP with the decline in ODA grants. Multilateral lending as a percentage of GNP rose slightly in the 1980s but stagnated thereafter, whereas bilateral lending declined throughout the 1990s. Per capita official inflows of SSA rose both in nominal and real terms in the second half of the 1980s, but fell almost constantly during the 1990s. In per capita terms, real official flows at the end of the past decade were less than half of those of the early 1980s.

These trends partly reflect the overall decline in official flows to developing countries. According to the latest figures from the World Bank,¹⁷ such flows to developing countries as a whole (excluding technical cooperation grants) declined from more than \$55 billion in 1990 to less than \$39 billion in 2000. While ODA grants stayed relatively constant at some \$40 billion, official loans declined from \$27 billion to some \$9 billion. The average ODA/GNP ratio of the DAC countries declined dramatically from 0.33 per cent in 1992 to 0.24 per cent in 1999, and by the end of the decade only the Netherlands was attaining the 0.7 per cent target. The decline in aid flows was steeper for SSA; the share of SSA in total aid flows to developing countries fell from more than 37 per cent in 1990 to some 27 per cent at the end of the decade, with an increased proportion being diverted to Europe and Central Asia.

As in many other developing countries, in Africa too an increased proportion of net capital inflows from non-residents has been absorbed by offsetting financial

¹⁶ UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000, table 1.

¹⁷ World Bank, *Global Development Finance 2001*, Washington, D.C., tables 4.1-4.3, pp. 89-91.

transactions such as net capital outflows by residents and accumulation of excessive reserves as a safeguard against speculative attacks on the currency, instead of financing imports. According to estimates for the 1990s by the UNCTAD secretariat, only 62 per cent of net capital inflows are used for current account financing.¹⁸ This means that external financing needs exceed the resource gap by a wide margin because of the need to finance offsetting transactions.

Estimating the external financing needed to attain a given target rate of growth or to reduce poverty to a target level over a time period is a complex exercise requiring detailed analysis at the country level of factors such as the extent and efficiency of the use of existing productive capacity; the impact of investment on production capacity, productivity, exports and imports, and balances of payments; the domestic savings rate and its response to income growth; and the impact of capital flows on investment. However, some estimates indicating the order of magnitude involved have been provided by various institutions and private researchers. A recent UNCTAD study suggests that a combination of a doubling of official capital inflows into SSA with policies designed to raise the efficiency of investment, the propensity to save and the proportion of capital inflows retained and used for real resource transfers from abroad could set off an accelerated growth process, at some 6 per cent per annum, that would reduce, in a decade or so, both the resource gap of the region and its dependence on aid. In this process, official financing would play a catalytic role for domestic savings and private capital inflows, and this role is enhanced and the reliance on aid is reduced by a greater domestic policy effort.¹⁹

Similarly, ECA has recently developed a scenario to estimate the external financing needed to reach the growth rate for reducing African poverty by half in 2015.²⁰ It has estimated that a doubling of ODA is required to move into the new growth path needed to attain the poverty-reduction target. Yet another study by the World Bank on the feasibility of achieving the goal of halving world poverty by 2015 has found that such a goal in Africa would require, *inter alia*, some additional \$10 billion per annum, the same order of magnitude as in the UNCTAD and ECA studies.²¹ Commenting on the UNCTAD and World Bank studies, a Technical Report of a High-Level Panel on Financing For Development (Zedillo Report) commissioned by the Secretary-General of the United Nations noted that "these studies provide a reasonable basis for estimating the costs of reducing world poverty by half", adding that the UNCTAD figure "would need to be at least doubled to allow for a parallel effort in the lower-income countries outside of Africa".²²

Indeed, regardless of the scenarios used and the assumptions made in such studies, there appears to be increased consensus that, despite the recent economic

¹⁸ *Capital Flows and Growth in Africa*, New York and Geneva, 2000, p. 25 and table 6.

¹⁹ UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000.

²⁰ ECA, *Economic Report on Africa 1999*, Addis Ababa, pp. 23-24. In this exercise, the growth rate needed to attain the poverty target is estimated at 6.8 per cent per annum.

²¹ P. Collier and D. Dollar, "Can the World Cut Poverty in Half?", Washington, D.C., World Bank, 2000. See also R. Gotschalk, "Growth and Poverty Reduction in Developing Countries: How much External Financing will be Needed in the New Century?" (mimeo), Institute of Development Studies, Brighton, U.K., December 2000. In this study the poverty target is estimated to require a growth rate of 8.2 per cent for SSA, and an external financing/GDP ratio of 16 per cent initially and 12.7 per cent thereafter.

²² *Technical Report of a High-Level Panel on Financing For Development* (Zedillo Report), United Nations, New York, 22 June 2001, p. 59.

upturn, current African growth rates are too low to make a dent in poverty and to make a tangible improvement in living standards, and that a significant injection of official financing would be needed, combined with improved policies to jump start the African economies. Much of the additional resources would need to be allocated to investment in infrastructure. It is also important to ensure that any acceleration of investment and growth be accompanied by sustained increases in domestic savings rates in order to reduce dependence on external financing.

Clearly, elimination of the external debt overhang, as well as fresh money, could play a significant role in the provision of resources needed to raise investment and growth, particularly for African low-income countries. SSA's external debt stood at \$206 billion in 2000, \$10 billion below the level reached in 1999. This decline is explained partly by debt write-offs in the context of HIPC and Paris Club initiatives, and partly by the appreciation of the dollar against other major reserve currencies. The latter effect is particularly important, since almost 50 per cent of SSA's external debt is denominated in currencies other than the US dollar. Furthermore, despite the decline in the absolute nominal level of African debt, the conventional debt indicators of the region (debt/export and debt/GNP ratios) remain highly unfavourable in comparison with other developing countries (table 7). Indeed, while Africa had a lower debt-export ratio in 1990 than South Asia and Latin America, it had the highest ratio at the end of the decade among all developing regions. Again, while the ratio of debt to GNP fell or remained relatively stable in other regions, it tended to increase in Africa during the 1990s; at the end of the decade it was above the level attained at the beginning.

Although SSA's external debt is high in relation to GNP and export earnings, the debt service ratio is relatively low because of the concessional nature of a large proportion of this debt. However, the debt-service ratio deteriorated in the 1990s, and at the beginning of the new millennium it remained above the ratios observed in East Asia and in the Middle East and North Africa (MENA) region. Meeting debt servicing obligations, including principal and interest payments, remains a major problem in SSA. Indeed the problem of arrears has grown to unmanageable proportions during the 1990s; at the beginning of the 1990s, the share of arrears in total debt of SSA was 15 per cent and moderately above the Latin American ratio of 11 per cent, but it rose rapidly and reached a peak of 27.7 per cent in 1998. The conversion of arrears on interest liabilities into debt accounts for a substantial portion of the increase in the debt stock of SSA during the past two decades. In effect a substantial portion of debt-generating flows from donors have consisted of the addition of arrears to existing debt stock rather than fresh money.

The HIPC initiative, which includes a large number of countries in SSA, has thus received considerable support from the international community not only as a comprehensive and coordinated approach but also as a crucial step in recognizing that losses on bad loans should not be borne by the debtors alone but shared by the creditors. But, as discussed in some detail in the secretariat reports submitted in recent years to the General Assembly, the initiative continues to suffer from shortcomings, including underfunding, excessive conditionality, restrictions over eligibility, and inadequate debt relief.²³ While certain steps were taken in the context of the enhanced HIPC initiative in 2000, the initiative has not so far

²³ See, for instance, "Recent developments in the debt situation of developing countries", Report of the Secretary-General, United Nations General Assembly (A/55/422), September 2000.

succeeded in removing the debt overhang from a large majority of highly indebted poor countries in SSA. As of mid-2001, of the 33 African countries in the list of HIPC's, only Uganda had reached the completion point, and no more than a couple of countries may be expected to be added by the end of the year.

It should also be noted that it would not be correct to rely on debt relief initiatives alone for the provision of external financing needed in Africa. According to UNCTAD estimates noted above, there is a need to double the existing level of official financing in order to sustain a growth rate of 6 per cent. This would mean raising net official capital inflows by about 7 per cent of the combined GDP of the countries in the region. On the other hand, principal repayments and interest payments on official debt by these countries amounted to just under 3 per cent of their combined GDP in the past 5 years. This means that if countries in SSA were all to be brought under HIPC and granted full and immediate relief on their official debt, the amount thus released would be less than half of the external financing requirement for achieving the rate of growth needed. Thus, the international community cannot rely on HIPC alone for poverty alleviation even if the initiative were to be fully and rapidly implemented.

3. *International trade*

(a) *Dependence on primary commodities and export performance*

As in most other parts of the developing world, the emphasis on trade liberalization and exports in the past decade has meant an increased importance of international trade in economic activity in Africa. As a consequence, trade (merchandise exports plus imports) in SSA as a share of GDP increased from 38 to 43 per cent between 1988-1989 and 1999-2000.²⁴ However, despite the increased trade orientation of SSA, the share of the region in world trade has declined because its exports have grown much more slowly than world exports, a phenomenon often seen as the marginalization of the region in world trade (table 8).

The composition of African exports has continued to be dominated by primary commodities, despite some progress in moving to manufactures (table 9). The increase in the share of manufactures in African exports partly reflects the effect of declines in the prices of commodities relative to manufactures in the past two decades, as well as increases in the volume of manufactured exports. Despite the increase in the share of manufactures in African exports during the 1990s, more than 80 per cent of the region's exports consists of oil and non-oil commodities. Progress in diversification has not been particularly impressive: IMF estimates of measures of diversification for 14 African countries for which data are available show that only six countries had improvements on this count between 1988 and 1996.²⁵ The UNCTAD secretariat's calculation of export concentration for seven African countries between 1990 and 1997 shows rising and declining concentration

²⁴ The MENA region appears to be an exception to this trend; see IMF/WB Development Committee, "Leveraging Trade for Development: World Bank Role" (mimeo), 3 April 2001, figure 1.

²⁵ IMF, "Trade and Trade Policies in Eastern and Southern Africa", Occasional Paper 196, Washington, D.C., 2000, pp. 22-23.

coefficients in four and three countries respectively.²⁶ Export dependency on primary commodities becomes more striking as one moves from regional averages to individual countries. The share of 28 non-oil primary commodities in total exports has been estimated at 75 per cent or above in 17 countries in SSA; if crude oil is added to the list, the number of such countries rises to 22.²⁷

(b) *Competitiveness of African non-traditional exports*

In order to reduce dependence on traditional commodity exports, an increased number of African countries has been moving into exports of processed goods and manufactures. However, efforts have not always been successful in improving international competitiveness in such products, in large part because of low productivity and inappropriate exchange rates. Table 10 summarizes the findings regarding changes in international competitiveness of manufactured exports for nine African countries between 1980 and the late 1990s in terms of the evolution of unit labour costs in dollars, which vary positively with labour productivity and the real exchange rate and inversely with real wages.²⁸ In such an assessment, it should be kept in mind that while the growth rate of exports is a key performance indicator, for countries which start from a very low base of exports of manufactures, high growth may be misleading. For this reason, table 10 also includes the share of manufactures in total merchandise exports. Hence, successful performance is defined not only in terms of a high growth rate of manufactured exports but also a significant rise in their shares in total exports.

Of the nine countries in table 10, Algeria and Cameroon show no significant sustained progress in manufactures exports during the two past decades. For most of the other seven countries, phases of successful performance in manufactured exports usually correspond to years with positive change in the competitiveness indicator (CI). The only exception is RSA, which shows a high average growth rate of manufactured exports (and a significant rise in their share in total exports) during 1990-1997 despite a declining CI, essentially due to real appreciation. However, the lifting of international sanctions was probably a more important factor in the surge of exports than the movement in the CI.

Among the variables affecting overall competitiveness, it is labour productivity which has a lasting, permanent impact on manufactured exports. Countries with a more dynamic and stable export performance throughout the past two decades are those which have also shown significant improvements in productivity growth throughout: Mauritius with an average growth rate for labour productivity in manufacturing of 4.5 per cent per annum for a period of 18 years,

²⁶ Concentration ratios rose in Egypt, Morocco, Tunisia and Zimbabwe and declined in Libyan Arab Jamahiriya, Madagascar and Mauritius (UNCTAD *Handbook of Statistics 2000*, table 4.5).

²⁷ A. Deaton, "Commodity Prices and Growth in Africa", *Journal of Economic Perspectives*, Vol. 13/3, Summer 1999, table 1, p. 26.

²⁸ In this decomposition of unit labour costs real exchange rate (p) is defined as national currency per dollar deflated by the domestic price index; thus rising p means depreciation of the national currency. Real wages (ω) are obtained by deflating nominal wages with the domestic price index, and labour productivity (y) is defined as value added at constant prices per worker. The competitiveness indicator is defined as (py/ω) , that is the reciprocal of unit labour cost in dollars. A similar analysis for North Africa was undertaken in UNCTAD, TD/B/44/12, table 4, p. 12; and for seven African countries in *African Development in a Comparative Perspective*, op. cit., tables 21 and 22, pp. 87-88.

and Egypt with an average 3.5 per cent productivity growth for 16 years. These countries have kept up the momentum of manufacturing exports despite sustained real appreciations of their domestic currencies. Further, thanks to rising labour productivity, competitiveness has been maintained without depressing real wages.

Other countries seeking to raise competitiveness but facing stagnant or falling productivity have had to resort to wage suppression and sharp depreciations. The end result is that, by the late 1990s, real wage levels in manufacturing in all countries in table 10, except Egypt, Mauritius and RSA, were lower than the levels reached in 1980, and for most of them the cumulative erosion in real wages was within a range of 25-45 per cent. Wage suppression of such dimensions to promote exports generates not only social costs, but also adverse effects on longer-term productivity growth.

Investment and productivity have been further undermined by exchange rate misalignments and instability. There have been frequent and large-scale adjustments in nominal exchange rates in order to correct real appreciations. During the 1980s, for the countries included in table 10 there were seven episodes involving nominal exchange rate adjustments in excess of 25 per cent. Opening of the capital account to all kinds of capital flows aggravated this situation during the 1990s; sharp changes in exchange rates not only became more frequent (11 episodes) but the rate of adjustment was also much greater (on average 77 per cent, compared to 33 per cent in the 1980s).

These results indicate that the long period of stagnation in investment in Africa has taken its toll on industrial productivity and undermined sustained improvement in the competitiveness of non-traditional exports. Another adverse development has been the impact of capital account liberalization on exchange rates. Corrections to low productivity and currency appreciations have often been sought through wage suppression without bringing sustained improvements in competitiveness. It appears that the social and economic limits to neutralizing these adverse factors through real wage erosion have been reached in most African countries. Establishing competitiveness of non-traditional exports would depend very much on investment and productivity growth, combined by a judicious management of exchange rates through regulation and control of destabilizing capital flows.

(c) *Terms of trade*

(i) *Overall trends and effects*

Africa enjoyed an upturn in its terms of trade during the commodity price booms of the 1970s, but the trend from the early 1980s has been downward (chart 2). This is true not only for the region as a whole but also for various subregions including SSA and North Africa. Indeed the downturn has been sharper for the latter region in large part because of sharp declines in oil prices in nominal as well as real terms. The levels of terms of trade at the end of the 1990s were 24 and 21 per cent below those attained in the early 1970s for North Africa and SSA respectively. While the overall trend after the early 1980s was downward, there were short-lived surges in commodity prices and terms of trade. The more recent one started after 1993 and made a significant contribution to economic recovery in SSA. This lasted only three years; the terms of trade of SSA in 1998 was 15 per cent below the peak reached in 1996.

The secular decline in African terms of trade is an important reason for the marginalization of the region in world trade. Indeed, a significant part of the decline in the share of SSA in world exports in the past two decades can be explained by declines in the prices of African exports relative to those of the rest of the world. It can be estimated that, if the terms of trade of SSA had stayed at the level of 1980, its share in world exports today would have been almost twice as high.

A recent World Bank study has estimated that between 1970 and 1997, cumulative terms of trade losses for non-oil-exporting countries in SSA amounted to 119 per cent of the regional GDP in 1997 and 51 and 68 per cent of the cumulative net resource flows and net resource transfers to the region respectively.²⁹ If these numbers are combined with leakages from capital inflows into outflows and accumulation of reserves (i.e. the offsetting financial transactions noted above), it turns out that in the past two decades SSA has not received any net transfer of real resources from the rest of the world. It can be estimated that for each dollar of net capital inflow to SSA from the rest of the world, some 25 cents went back as net interest payments and profit remittances abroad, more than 30 cents leaked into capital outflows and reserve build-up,³⁰ while 51 cents made up for terms of trade losses. These figures indeed imply a net transfer of real resources from SSA to the rest of the world.

Resource losses due to terms of trade declines have certainly been a major factor in the poor economic performance of the region in the past two decades. If such resources had been available for domestic uses and invested productively, African growth during the past two decades could have been much faster and its current level of income much greater. A simple simulation on "unchanged terms of trade" counterfactual carried out by the UNCTAD secretariat based on the World Bank's estimates of cumulative terms of trade losses suggests that the addition of such resources would have raised the investment ratio by nearly 6 percentage points per annum in non-oil-exporting countries in Africa and added to annual growth by 1.4 per cent per annum. This would give a per capita GDP of \$478 for 1997 instead of the actual level of \$323. In other words, if non-oil exporters in Africa had not suffered from continued terms of trade losses in the past two decades, the current level of per capita income would have been higher by as much as 50 per cent.

(ii) *Primary commodities*

A major factor behind the downward trend in the African terms of trade is the decline of prices of primary commodities relative to manufactures. At the beginning of the new millennium, the prices of major categories of non-oil commodities relative to manufactures were lower by between one-third and two-thirds compared to prices prevailing three decades earlier (table 11).

This downward trend in relative prices of primary commodities vis-à-vis manufactures is accompanied by a high degree of volatility. Commodity terms of trade calculated on the basis of world prices of broad categories of primary commodities (chart 3), as well as of prices of African coffee, cocoa, cotton and

²⁹ World Bank, *Can Africa Claim the 21st Century?*, Washington, D.C., 2000, table 1.4, p. 22.

³⁰ As noted above leakages during the late 1990s through these channels were higher, amounting to 38 per cent of total net capital inflows to SSA. The above calculations are based on a smaller proportion as they refer to both 1980s and 1990s; see UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000, table 3.

copper exports, vis-à-vis unit export prices of manufactures of developed countries (chart 4) show a more volatile pattern than the overall terms of trade depicted in chart 2.

As noted above, world commodity markets have been experiencing another major price cycle since 1993, the upward phase of which lasted two to five years depending on the commodity. The downturn phase which started after 1996 should be expected to continue due to the economic slowdown in the major industrial countries.³¹ In this cycle, the volatility of real prices received by African exporters reached unusual dimensions. Between the trough and the peak of the price cycle in the 1990s, real prices for African exports of coffee, cocoa, cotton and copper rose by 128, 116, 28, 30, and 49 per cent respectively (chart 4).³² On the other hand, between the peak and 1999, these prices showed declines of 35, 15, 28, 70 and 13 per cent respectively, and the downward movement is still continuing.

Problems due to the deterioration in terms of trade for commodity-dependent SSA countries are thus aggravated by extreme fluctuations in real export prices. As put by a recent IMF/World Bank document, "sub-Saharan exports experienced roughly twice the volatility in terms of trade that East Asia's exports did in the 1970s, 1980s and 1990s, and nearly four times the volatility... that the industrial countries experienced."³³ No doubt such volatility not only leads to serious difficulties for macroeconomic management but also discourages investment by creating uncertainties regarding the future course of these economies.

(iii) *Manufactures*

Recent empirical research suggests that the expansion of manufacturing exports from developing countries has also been associated with a downward trend in their terms of trade. Such a trend is much more pronounced with respect to exports of labour-intensive manufactures than skill- and technology-intensive products. This poses an additional problem for Africa where manufactured exports have little technology content.

A study has provided empirical evidence in this respect by focusing on the manufacturing terms of trade of the European Union with five groups of countries: LDCs, ACP countries, Latin American countries, Mediterranean Basin countries and East Asian NIEs.³⁴ According to this study, while the manufacturing net barter terms of trade of developing countries as a whole declined at an average rate of 2.2 per cent per annum from 1979 to 1994, the decline was largest for LDCs and ACP countries – 5.7 and 4.7 per cent per annum respectively. Furthermore, in the case of LDCs, the deterioration in manufacturing terms of trade was more than the decline in their primary commodity terms of trade. Since the majority of these two groups consist of SSA countries, these results strongly suggest that African terms of trade

³¹ On the World Bank's prognosis of the current cycle of primary commodities, see *Global Development Finance* 2001, Washington, D.C., Appendix 6.

³² Chart 4 and the related analysis covers 16 countries in SSA and five commodities. In 1999, the average (unweighted) share of these commodities within the total exports of the 16 countries equalled 30 per cent.

³³ IMF/WB Development Committee, "Leveraging Trade for Development: World Bank Role" (mimeo), 3 April 2001, p. 3.

³⁴ A. Maizels, K. Berge, T. Crowe and T.B. Palaskas, "Trends in the Manufactures Terms of Trade of Developing Countries" (mimeo - Leverhulme project F527/B), March 1998.

in manufacturing are also subject to downward pressures. They are also supported by another study on manufacturing terms of trade of the United States with developing countries, which found that, between 1981 and 1997, net barter terms of trade on manufacturing exports of developing countries to the United States declined by 15.6 per cent, or by almost 1.1 per cent per annum.³⁵

This is bad news for African countries which are struggling to overcome their dependence on primary commodities by gradually moving into exports of manufactures, particularly since the foregoing research suggests that the rate of deterioration of manufacturing terms of trade is strongly associated with the general level of scientific and technological development of each country group. This fallacy of composition problem (that is, rising export volumes being associated with sharp falls in export prices) threatens most developing countries concentrating on labour- and resource-intensive exports, and is aggravated by increased competition among these countries as well as continued protectionism in the major industrial countries in markets for such products. But, given its level of development, SSA is even more exposed to this threat than many other developing regions.

(d) *Market access*

After nearly seven years of implementation of agreements reached in the Uruguay Round of multilateral trade negotiations, a consensus is emerging among Africans that, while the continent has gained little in terms of market access, African Governments are facing extremely heavy multilateral obligations. The competitive edge enjoyed by many African countries under Lomé and GSP schemes is undergoing substantial erosion. The already weak and insufficient provisions on special and differential treatment for some of the African economies have been eliminated, in many cases, by the conditionalities imposed by Bretton Woods institutions and creditors.³⁶

As things stand now, African countries are facing a number of extremely serious barriers in terms of access to Northern markets. As emphasized by an UNCTAD study, "total transfers by consumers and budgets to agriculture and highly protected industries [in OECD countries] may be estimated at about \$470 billion in 1997. Developed countries could save 2.2 per cent of their GDP annually on subsidies, corresponding to almost 10 per cent of the GDP of developing countries. Total subsidies amount to more than half of developed country imports from developing countries and 10 times their concessional ODA."³⁷ In the context of SSA, the annual transfers mentioned above are the equivalent of 241 per cent of the regions combined GDP. Peak tariffs and quotas, anti-dumping and countervailing duties imposed (at times arbitrarily) on imports, unjustified sanitary and phytosanitary import restrictions, export subsidies for agricultural and industrial products, various production and investment subsidies for both agricultural and industrial

³⁵ A. Maizels, "The Manufactures Terms of Trade of Developing Countries with the United States, 1981-97" (mimeo), Queen Elizabeth House Working Paper Series, University of Oxford, Oxford, January 2000.

³⁶ See ECA, *Africa and the Multilateral Trading System and the World Trade Organization: Seattle and Beyond*, Addis Ababa (no date); and R. Ricupero, "Africa and a New Round of Multilateral Trade Negotiations", paper presented to the Centre for the Study of African Economies, Oxford, March 2001.

³⁷ E. Supper, *Is There Effectively a Level Playing Field for Developing Country Exports?*, UNCTAD, Policy Issues in International Trade and Commodities Study Series, No.1, United Nations, New York and Geneva 2001, p. 5.

production, and finally, anti-competitive practices implemented by TNCs are the measures which not only generate distortions against African and other developing country exporters but also have adverse effects in the domestic markets of these countries.

The net impact of the elimination of all distortions operating against developing country producers in external and domestic markets has not, as yet, been estimated. There are, however, more limited estimates. The gains to economies in SSA from the elimination of agricultural protection in OECD countries is estimated to be \$6 per capita.³⁸ Another piece of research on the market penetration impact of full duty-free access for LDCs in the Quad only for tariff-peak products (i.e. covering only those items with tariff rates above 15 per cent) comes up with an estimate of an 11 per cent increase in LDC exports to the Quad.³⁹ This conservative estimate should be revised significantly upwards when extended to all commodities and all developed countries. Finally, another study covering 37 countries in SSA on the impact of duty- and quota-free access to the Quad in all products gives an estimate of a 13.9 per cent (i.e. \$2.5 billion) increase in non-oil export revenues.⁴⁰

It is clear that if all of the above-mentioned distortions in developed economies are eliminated, the market penetration potential for LDCs and African economies will be substantially higher. These are, however, temporary gains which would probably affect, in part, non-LDC developing economies (including those in Africa) adversely at the initial stages,⁴¹ and which are likely to face erosion if and when similar concessions are extended to the latter as well.

Some progress has recently been made towards improving market access conditions for LDCs, the majority of which are African. This includes the "Everything but Arms" initiative of the European Union launched in March 2001. Its effectiveness will depend on generating new trade opportunities for LDCs without restricting market access of other developing countries.

D. Policy conclusions

Despite the recovery in the second half of the past decade, economic conditions in Africa remain highly fragile. Only a handful of countries in SSA have been able to combine relatively rapid growth with rising domestic investment and savings, but even in their case economic performance continues to depend heavily on conditions beyond their control, including commodity prices, capital flows, weather and political stability in their neighbourhood. Projections for the region under recent trends with respect to key variables such as capital flows, terms of trade, and investment and savings rates, as well as growth prospects in the rest of

³⁸ H. Binswanger and E. Lutz, "Agricultural Trade Barriers, Trade negotiations, and the Interests of Developing Countries", UNCTAD X, High-level Round Table on Trade and Development: Directions for the Twenty-first Century, December 1999, p. 5.

³⁹ B. Hoekman, F. Ng and M. Olarreaga, "Tariff Peaks and Least Developed Country Exports" (mimeo), February 2001.

⁴⁰ E. Ianchovichina, A. Mattoo and M. Olarreaga, "Unrestricted Market Access for SSA: How much is it worth and who pays?", World Bank Working Paper 2595, April 2001. The EU's free access to LDCs under the "Everything but Arms" programme, according to the same authors, would be expected to generate an export increase of \$513 million, i.e. 2.8 per cent of non-oil exports to the 37 countries in SSA.

⁴¹ If such concessions are extended to LDCs in respect of textile products together with unchanged overall quotas, the net incidence will be on the non-LDC developing country exporters.

the world economy, give around 3 per cent growth per annum for the first decade of the new millennium.⁴² Not only is this well below the rate of growth needed to attain the poverty reduction target set by the international community, but it is also considerably less than the growth rates projected for other developed and developing regions, implying further marginalization of Africa in the world economy.

The foregoing analysis, as well as the earlier work undertaken by the UNCTAD secretariat, clearly indicates that without a major reorientation of international and domestic policies it would be almost impossible to change the fortunes of the region. In this context, it is important to keep in mind that international and domestic actions are complementary rather than being substitutes. Just as greater domestic policy efforts cannot make up for shortcomings in the external trading and financial environment, increased aid and better trading conditions cannot offset the adverse consequences of misguided domestic policies. While the primary responsibility for achieving the conditions for rapid and sustained growth lies with the countries themselves, the international community has also responsibility in securing consistency and coherence between international and domestic policy actions. This is because international actions exert a major influence not only on the external conditions facing Africa, but also on domestic policies through aid conditionality and stabilization and adjustment programmes supported by the Bretton Woods institutions.

1. External financing, aid and debt

The first area of action relates to aid. As noted above, there is now increased consensus that, even under the best possible policy regimes, African countries cannot generate the resources needed to sustain satisfactory growth and development. Various estimates of external resource requirements made in UNCTAD, the World Bank, ECA and elsewhere suggest that at least an additional \$10 billion per annum would need to be maintained for a decade or so in order to lift the region onto a faster growth path. There can be little doubt that, in a number of countries, Governments can do a lot to help create the conditions conducive to inflows of the kind of private capital that can help close the resources gap. Nevertheless, except for oil- and mineral-rich economies, it would be unrealistic and even counterproductive to pin hopes on private capital to meet the external financing requirement of African development. This has been clearly recognized by the Zedillo Report: "Even if great strides are made in trade liberalization, domestic policy reform, and capital inflows into developing countries, international development cooperation will retain four vital roles in which it has essentially no substitute." What is under discussion here is the first of these roles, namely: "Helping to initiate development in countries and sectors that do not attract much private investment, and that cannot afford to borrow extensively from commercial sources. This is the traditional role of official development assistance and of lending by multilateral development banks."⁴³

⁴² These projections are made using the FUGI Global Model developed at Soka University. For a detailed description of the FUGI global model, including its historical background, methodology, scope and structure, see A. Onishi, *FUGI Global Model 9.0 M200/80: Integrated Global Model for Sustainable Development*, Soka University, Institute of Systems Science, Tokyo, 31 March 1999.

⁴³ *Technical Report of a High-Level Panel on Financing For Development*, (Zedillo Report), United Nations, New York, 22 June 2001, p. 8.

Thus, at least initially, the additional external financing would have to come from official sources. These could play a catalytic role over time for domestic savings and private capital inflows. The grant element in such financing should be large in order to compensate for terms of trade losses that the region is likely to continue to incur as long as it depends on primary commodities and labour- and resource-intensive manufactures for exports. Consideration should also be given to building an automatic compensatory element into the aid mechanism so that growth is not interrupted by sudden external shocks.

There is also increasing agreement that aid needs to be made more effective. While this calls for improvements in policies and institutions in the recipient countries, an important part of the problem also lies with the donors, who often pursue their own interests in the distribution and use of aid by promoting their exports and companies. Better coordination as well as untying of aid appears to be the key for improving aid effectiveness. In these respects the recent initiatives by the OECD countries regarding tied aid and the efforts by the Bretton Woods institutions to coordinate aid around country programmes are welcome and need to be pursued rigorously.

As noted above, debt relief has an important role to play in the provision of adequate external financing in Africa. Indeed, the international community has not been indifferent to the debt problem of Africa. North Africa has benefited from major debt rescheduling operations since 1985. With respect to heavily indebted countries in SSA, a bolder approach is needed than has so far been adopted in the context of the HIPC initiative.

In 1998 the UNCTAD secretariat made a proposal for "a comprehensive assessment of the sustainability of African debt ... [to] be carried out by an independent body that would not be unduly influenced by the interest of creditors. Such a body could be composed of eminent persons experienced in questions of finance and development who could be appointed by mutual agreement between creditors and debtors, with a commitment by creditors to implement fully and swiftly any recommendations that may be made."⁴⁴ This proposal appears to continue to be equally valid today in view of the problems associated with the implementation of the HIPC initiative and shortcomings in debt sustainability exercises, as mentioned above. Such an approach should not be limited to HIPCs but should incorporate a broader spectrum of countries, including the so-called middle-income debtors, in need of special measures to overcome their debt overhang. Consideration should also be given to the suspension of debt payments by all African HIPCs without additional consequent interest obligations until final agreement is reached on debt reduction, also to be extended subsequently to non-HIPC countries found eligible for debt relief.⁴⁵ Needless to say, a debt relief initiative structured around such principles could make a significant contribution to growth and poverty reduction provided that it is combined with additional official financing to fill the external resource gap.

⁴⁴ UNCTAD, *Trade and Development Report, 1998*, Overview, United Nations, New York and Geneva, p. XII.

⁴⁵ For further elaboration of these proposals, see "Recent developments in the debt situation of developing countries", Report of the Secretary-General, United Nations General Assembly (A/55/422), September 2000.

2. *Key international trade policy issues for Africa*

The asymmetries and imbalances in the global trading system, including in a number of WTO agreements, constitute serious impediments to growth and development in Africa, as reiterated by African countries on several occasions in recent years.⁴⁶ Many of these countries, including the large majority of LDCs, continue to face difficulties in implementing the agreements, including adapting national laws and regulations and improving their institutional capacities to meet their WTO obligations. Their access to industrial country markets remains restricted in areas in which they have competitive advantages, including agricultural products and labour- and resource-intensive manufactures. They have yet to draw significant benefits from their participation in the multilateral trading system.

More fundamentally, there is a need for a review of current agreements and practices with a view to assessing their impact on African development, and for action to broaden and extend the existing provisions for special and differential treatment in areas where they hamper African development, and to translate them into explicit obligations. The areas where such action may be needed include a re-evaluation of the concept of transitional period particularly in the context of TRIPS and TRIMs; a review of the Agreement on Subsidies and Countervailing Measures to take into account the specific circumstances and requirements of African countries; measures for the realization of the technology transfer objectives envisaged in the TRIPS Agreement and other relevant provisions of the WTO agreements; and effective implementation of Article IV of GATS for building services capacity, access to technology and distribution channels. It is also important to safeguard the understanding that no provisions of TRIPS should be used to prohibit action to provide access to medicine at affordable prices to promote public health. Technical assistance can certainly play an important role in improving the capacity of these countries to better evaluate the costs and benefits of various agreements and practices, as well as to participate more effectively in multilateral trade negotiations and the dispute settlement mechanisms.

Tariffs, peaks and escalation, non-tariff barriers such as export subsidies and domestic support measures, the application of stringent sanitary and phytosanitary measures in industrial countries restricting African exports should be reviewed. There is also need for a genuine improvement in market access for African agricultural products and in the implementation of the Agreement on Agriculture, including in meeting core development concerns such as food security, poverty reduction and rural development, as well as the implementation of special measures in favour of LDCs and net food-importing countries. Improved market access facilities should be supported and supplemented by specific capacity building programmes to help these countries to diversify their exports and improve competitiveness.

3. *Domestic policy issues*

The experience of many countries in SSA in the 1970s strongly suggests that a positive external environment regarding trade and resource flows does not automatically translate into self-sustained growth. During the period in question, favourable terms of trade and aid flows allowed investment and growth to be raised

⁴⁶ Third Ordinary Session of OAU/AEC Ministers of Trade, Cairo, September 2000; OAU Council of Ministers, Tripoli, February 2001; High-Level Brainstorming Meeting for African Trade Negotiators Preparatory to the Fourth WTO Ministerial Conference, Addis Ababa, 26-29 June 2001.

in much of the region, but the failure to increase domestic savings and diversify and expand exports meant that, once the external environment deteriorated from the late 1970s onwards, African growth could not be sustained. As discussed at some length in previous UNCTAD research on Africa, these problems originated in development strategies which were pursued without inadequate attention to agricultural productivity and industrial competitiveness.⁴⁷ Policies were underpinned by a strong bias against nascent private entrepreneurs, accompanied by extreme optimism about the capacities of the state in promoting development.

The subsequent experiments with structural adjustment programmes have not been successful in establishing the conditions for sustained growth. These programmes have sought to leave accumulation and growth to free market forces without paying adequate attention to shortcomings of domestic markets and enterprises, physical and human infrastructure, and institutions. Again, pragmatism has been trumped by ideology, this time by a bias against state intervention *per se*. Adjustment programmes have dismantled the state-mediated mechanisms of capital accumulation, but have not succeeded in putting viable alternative mechanisms in their place. Unleashing market forces through liberalization and deregulation has often led to greater instability and failed to generate appropriate incentives, while institutional weaknesses and structural constraints have prevented incentives from being translated into a vigorous supply response through new investment for the expansion and rationalization of production capacity. There has been a remarkable failure to take proper account of external conditions in policy design. As in the earlier period, policies have been founded on excessively optimistic expectations regarding the evolution of the international economic environment.

A bold vision is now needed in policy design and implementation, drawing on the experience of both post-colonial and adjustment periods as well as on lessons from successful industrialization and development in East Asia and elsewhere. There is now a consensus over certain objectives, including monetary and fiscal discipline, macroeconomic stability, private initiative, good governance and effective institutions. There is also convergence of views regarding the role of the state in developing human and physical infrastructure and promoting effective market and regulatory institutions, as well as a competent, professional and autonomous bureaucracy, which has seen considerable erosion after two decades of emphasis on a small state.

A key policy issue is the respective roles to be assigned to public and private sectors in economic activity and to government intervention and free market forces in generating incentives and guiding private sector behaviour. There can be little doubt that there is a need for a greater role for markets than had been allowed under the policy regimes of the post-colonial period. However, in certain respects the pendulum seems to have swung too far, and it is important to redress the balance between the role of the Government and that of markets. There is a certain degree of inconsistency in the argument often advanced that Governments in Africa are not capable of effective intervention, while at the same time burdening them with a daunting array of measures under adjustment programmes.

⁴⁷ See, in particular, UNCTAD, *Trade and Development Report, 1998*, op. cit.; UNCTAD, *Capital Flows and Growth in Africa*, New York and Geneva, 2000; and Special Issue on African Economic Development in a Comparative Perspective, *Cambridge Journal of Economics*, May 2001. The account above draws to a large extent on these studies.

Agriculture, international trade and finance are the three principal areas where the role for government intervention needs to be reconsidered. Certainly, such intervention should be designed to animate and guide the private sector and shape the structure of incentives so that the energy and effectiveness of business is channelled towards meeting developmental goals. Encouraging agrarian capital formation and productivity growth requires a policy which increases the profitability of investment and lowers risk by providing a stable environment and lowering technical and financial constraints on the capacity and willingness to invest. In this respect there may be important roles for public investment, price policies and provision of services unlikely to be forthcoming from other sources. An objective assessment needs to be made of the impact of dismantling agricultural marketing boards on incentives and supply constraints.

The marginalization of SSA in world trade is an outcome of the interaction of falling terms of trade with the inability of the region to expand productive capacity and move to dynamic products, rather than the resistance of the region to open trade regimes. Thus, for most countries in SSA there is a need to focus on growth-enhancing policies, including promotion of exports of dynamic products, rather than concentrating on trade liberalization. It should also be kept in mind that exporting unskilled-labour-intensive manufactures does not always promise better price and earning prospects than certain resource-intensive products and primary commodities. A trade regime that provides exporters with incentives to move into products with greater market and productivity dynamism, including easy access to credits and inputs at duty-free prices, needs to be built on the basis of a differentiated approach. The international community should give serious consideration to removing impediments to such selective intervention on a time-bound, multilateral basis. Indeed, "legitimizing limited, time-bound protection for certain industries by countries in the early stages of industrialization" is among the proposals of the Zedillo Report: "However misguided the old model of blanket protection intended to nurture import substitution industries, it would be a mistake to go to the other extreme and deny developing countries the opportunity of actively nurturing the development of an industrial sector. A requirement for international approval of such protection could be a help to the governments of developing countries in resisting excessive demands from their domestic lobbies (and from multinationals) considering local investment."⁴⁸

The exchange rate is the single most important price affecting trade performance, and should not be left to shallow and volatile markets and to the vagaries of destabilizing capital flows. Stable and appropriately aligned exchange rates are difficult to achieve under an open capital account regardless of the exchange rate regime adopted, even in countries with more sophisticated and deeper financial markets and effective regulatory mechanisms.⁴⁹ Thus, capital account regimes would need to be reassessed with a view to introducing effective control over short-term, destabilizing capital flows. Regulation and management of capital movements are also needed in order to ensure that a large proportion of capital inflows are allocated to real resource transfers rather than being diverted to

⁴⁸ *Technical Report of a High-Level Panel on Financing For Development (Zedillo Report)*, United Nations, New York, 22 June 2001, p. 17.

⁴⁹ For a discussion of this issue, see UNCTAD, *Trade and Development Report, 2001*, United Nations, New York and Geneva, chap. V.

unproductive uses such as capital outflows and build-up of reserves as a safeguard against speculative attacks.

If the targets set by the international community for growth and poverty reduction are to stand any chance of realization, it is important to make a reassessment of the policy approach in such key areas, identifying their shortcomings and revising them when needed. Such a reassessment is particularly important in light of the recent shift to poverty reduction as the single most important objective of international development cooperation. This shift appears to have been triggered by the concern that adjustment programmes have not had a significant impact on poverty alleviation. Consequently, new facilities have been established at the Bretton Woods institutions (the Poverty Reduction and Growth Facility, the Poverty Reduction Support Credit), and debt relief under the HIPC initiative is explicitly linked to programmes designed to reduce poverty. Furthermore, emphasis has been placed on "country ownership" in designing Poverty Reduction Strategy Papers.

Structural adjustment and macroeconomic policies can affect poverty mainly through two channels: growth and income distribution. If policies fail to lift growth while creating greater inequalities in income distribution, the outcome would be rising poverty. For instance, between 1980 and 1995 per capita GDP in SSA declined by a rate of 1 per cent per annum. More importantly, this regression was associated with worsening income distribution; the decline in average per capita income for the poorest 20 per cent of the SSA population during the same period is estimated to have been two per cent per annum, that is twice the rate of decline in the average per capita income. Thus, poverty rose in the region not only because average per capita income fell but also because the share of the poor in national income declined.⁵⁰ Indeed, because of rising inequalities, poverty seems to have increased even in countries with positive per capita income growth.⁵¹

It thus follows that to yield tangible and sustained results, the new emphasis on poverty alleviation should be founded on a careful and frank assessment of the effects of structural adjustment policies on growth and income distribution.

⁵⁰ "Submission of the North-South Institute to the Sub-Committee on Human Rights and International Development of the Standing Committee of Foreign Affairs and International Trade: House of Commons, December 1, 1999", <http://www.nsi-ins.ca/ensi>. Another study comparing poverty incidence in seven countries in SSA between 1987 and 1993 reports rising and declining poverty in five and two countries respectively; the share of population below the head-count poverty line rising from 38.5 per cent to 39.1 per cent, and the poverty gap index (i.e. the mean shortfall below the poverty line as a percentage of the poverty line income) also rising from 14.4 to 15.3 per cent; M. Ravallion and S. Chen, "What Can New Survey Data Tell Us about Recent Changes in Distribution and Poverty?", *World Bank Economic Review*, Vol. 11, No. 2, 1997.

⁵¹ According to a study by A.A.G. Ali and E. Thorbecke ("The State and Path of Poverty in Sub-Saharan Africa: Some Preliminary Results", *Journal of African Economies*, Vol. 9, AERC Supplement 1, 2001), this may have been the case for Nigeria and Uganda in 1986-1992 and 1989-1992 respectively, when positive growth in per capita GDP did not prevent significant increases in head-count poverty ratios due to regression in income distribution. Côte d'Ivoire (between 1985 and 1988) and Ghana (1988-1992), on the other hand, experienced reduced incidence of poverty, but in different ways: negative per capita growth combined with improved income distribution in Côte d'Ivoire, while positive growth was associated with improved distribution in Ghana.

However, there are as yet no signs of such an exercise.⁵² Rather, the emphasis appears to be on redirecting public spending and aid flows towards areas which are expected to yield quick results in the alleviation of poverty, including health and education. While useful, such an approach may not have a lasting impact on poverty as long as policies in such areas as agriculture, trade, finance, public enterprise, deregulation and privatization do not succeed in raising growth while at the same time exerting adverse effects over income distribution. It can also create serious inter-temporal trade-offs in so far as spending designed to have an immediate impact on poverty slows capital accumulation, particularly when resources, including aid, remain in short supply. Thus, poverty reduction programmes need to be associated not only with greater resources but also with structural adjustment and macroeconomic policies conducive to faster growth and better income distribution.

⁵² However, mention is made of the need to undertake an analysis of the social impact of macroeconomic policies in "Poverty Reduction Strategy Papers - Progress in Implementation", prepared by the Staffs of the IMF and the World Bank, 20 April 2001, pp. 13-14.

Table 1
Average annual GDP growth in Africa, 1965–1999
(Per cent)

	1965–1969	1970–1979	1980–1989	1990–1999	1990–1994	1995–1999
Africa	4.5	4.2	2.5	2.3	0.9	3.5
North Africa	5.3	6.7	4.2	3.1	2.1	4.2
Sub-Saharan Africa	2.4	4.0	2.1	2.4	0.8	3.9
Including South Africa	4.2	3.3	1.7	2.0	0.4	3.2
Excluding Nigeria	3.5	3.9	2.5	2.3	0.3	4.2

Source: For 1980–1999: UNCTAD secretariat calculations, based on World Bank, World Development Indicators 2001.

For 1965–1979: World Bank data as reported in the 2000/2001 Annual Report, Global Coalition for Africa.

Table 2
Annual rates of GDP growth in Africa, 1990–1999
(Per cent)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
North Africa	3.4	2.0	2.0	0.5	3.9	1.5	6.5	2.6	5.6	3.9
Sub-Saharan Africa	2.5	1.8	-0.3	0.0	0.9	4.3	5.3	3.8	3.2	2.7
Including South Africa	1.1	0.4	-1.2	0.6	2.1	3.7	4.7	3.2	2.0	2.0
Excluding South Africa and Nigeria	1.4	1.2	-1.0	-0.5	1.1	4.7	5.5	4.1	3.7	3.1

Source: World Bank, World Development Indicators 2001, Washington, D.C.

Note: Growth rates are calculated from regional aggregates of GDP in constant (1995) dollars.

Table 3

Total agricultural and cereal output, 1992-2000
(Index numbers, 1989-1991 = 100)

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Africa									
Agriculture	104.2	107.1	109.7	112.8	124.0	122.1	126.8	129.2	128.8
Cereals	98.0	101.6	110.2	105.5	129.3	115.1	123.5	121.0	118.0
North Africa									
Agriculture	105.3	107.1	106.6	105.1	132.3	120.7	129.3	132.9	130.8
Cereals	105.1	86.1	94.2	82.5	155.5	89.0	122.8	106.5	94.2
Sub-Saharan Africa									
Agriculture	104.2	107.4	110.4	115.0	121.5	122.0	125.8	128.0	127.9
Cereals	98.4	106.1	109.9	112.0	123.4	119.3	123.2	123.0	122.0

Source: FAOSTAT database. Indices for agriculture and cereals in North Africa are weighted aggregates of country data.

Table 4

Distribution of agricultural growth in Africa, 1990-2000

	Number of countries in which agricultural output growth is			
	negative	positive, but negative per capita	positive, below one per cent per capita	higher than one per cent per capita
Africa	12	19	10	12
North Africa	1	0	2	2
Sub-Saharan Africa (including South Africa)	11	19	8	10

Source: FAOSTAT.

Table 5
Investment and savings in Africa, 1975-1999
 (Per cent of GDP)

	1975-1979	1980-1984	1985-1989	1990-1994	1995-1999	1980-1989	1990-1999
Africa							
Investment	26.1	23.6	20.2	18.7	19.6	21.9	19.1
Savings	23.9	22.5	19.1	17.3	17.6	20.8	17.5
North Africa							
Investment	33.7	31.3	28.5	25.4	22.5	30.0	23.9
Savings	30.4	31.5	23.8	21.6	19.5	22.7	20.5
Sub-Saharan Africa							
Investment	23.1	17.7	16.0	17.4	19.1	16.9	18.2
Savings	19.3	13.6	13.7	13.8	15.3	13.6	14.5
Sub-Saharan Africa (including South Africa)							
Investment	22.2	19.5	15.7	15.5	18.0	17.6	16.7
Savings	20.6	17.6	16.5	15.3	16.5	17.1	15.9
Sub-Saharan Africa (excluding Nigeria)							
Investment	21.0	17.4	16.3	16.7	18.9	16.8	17.8
Savings	15.8	11.2	13.0	11.6	13.1	12.1	12.3

Source: World Bank, World Development Indicators 2001, CD-Rom.

Table 6a
Changes in investment ratios and GDP growth in African countries between the 1980s and the 1990s
 (Percentage points)

		Deterioration in investment ratios by			Improvement in investment ratios by		
GDP growth higher by	more than 4 Percentage Points	more than 4 per cent of GDP	between 2 and 4 per cent of GDP	less than 2 per cent of GDP	less than 2 per cent of GDP	between 2 and 4 per cent of GDP	more than 4 per cent of GDP
							Uganda Mozambique
	2-4 Percentage Points	Gabon Niger Côte d'Ivoire				Namibia Nigeria	Ghana Mali
	less than 2 Percentage Points	South Africa Mauritania	Togo	Tunisia Malawi	Central African Rep. Madagascar Benin		Mauritius Senegal Seychelles
GDP growth lower by	less than 2 Percentage Points	Algeria Egypt	Kenya Morocco Zambia		Gambia	Zimbabwe	Burkina Faso
	2-4 Percentage Points	Comoros Guinea-Bissau		Swaziland			
	more than 4 Percentage Points	Congo, Dem. Rep. Burundi Sierra Leone Cameroon	Botswana Congo, Rep.	Rwanda			Chad

Source: World Bank, *World Development Indicators 2001*, Washington, D.C.

Table 6b
Changes in savings ratios and GDP growth in African countries between the 1980s and the 1990s
 (Percentage points)

		Deterioration in savings ratios by			Improvement in savings ratios by		
		more than 4 per cent of GDP	between 2 and 4 per cent of GDP	less than 2 per cent of GDP	less than 2 per cent of GDP	between 2 and 4 per cent of GDP	more than 4 per cent of GDP
GDP growth higher by	more than 4 Percentage Points				Uganda	Mozambique	
	2-4 Percentage Points	Niger	Gabon Côte d'Ivoire	Namibia		Ghana	Nigeria Mali
	less than 2 Percentage Points	Togo South Africa Malawi		Seychelles	Madagascar Tunisia	Mauritius	Central African Rep. Senegal Benin Mauritania
	less than 2 Percentage Points	Algeria Zambia	Kenya Egypt	Gambia	Morocco Zimbabwe		Burkina Faso
GDP growth lower by	2-4 Percentage Points				Comoros	Guinea-Bissau	Swaziland
	more than 4 Percentage Points	Burundi Botswana Rwanda Cameroon	Congo, Dem. Rep. Sierra Leone			Congo, Rep.	Chad

Source: See table 6a.

Table 7
External debt indicators for developing countries, 1990, 1998–2000
 (Per cent)

		<i>All developing countries</i>	<i>East Asia</i>	<i>Latin America</i>	<i>Middle East & North Africa</i>	<i>South Asia</i>	<i>Sub- Saharan Africa^a</i>
Ratio of debt to exports	1990	162.5	108.4	254.5	112.5	327.4	209.4
	1998	147.9	104.9	210.5	129.1	189.1	238.9
	1999	141.0	95.5	208.4	111.5	174.5	210.8
	2000	114.3	74.8	172.6	93.8	156.0	180.2
Ratio of debt to GNP	1990	30.9	29.8	44.6	45.7	32.3	63.0
	1998	42.1	40.2	40.8	36.1	29.2	72.3
	1999	40.5	36.4	41.8	34.9	28.4	70.5
	2000	37.4	32.6	38.5	31.2	26.5	66.1
Ratio of debt service to exports	1990	18.1	15.7	24.4	14.9	28.9	12.9
	1998	18.4	13.3	33.6	14.0	18.9	14.7
	1999	21.4	15.8	41.6	13.7	15.5	13.9
	2000	17.0	10.8	35.7	10.9	13.1	12.8
Arrears on debt service as a percentage of outstanding debt	1999	5.0	3.1	1.4	5.9	0.6	26.7

Source: World Bank, *Global Development Finance*, various issues.

^a Including South Africa.

Table 8
Africa's share in world exports and imports, 1980-1999
 (Per cent)

	1980	1990	1995	1999
Exports				
Africa	4.6	2.3	1.6	1.6
North Africa	2.2	1.1	0.7	0.7
Sub-Saharan Africa	2.5	1.2	0.9	0.9
Imports				
Africa	3.6	2.4	1.8	1.9
North Africa	1.5	1.2	0.9	0.9
Sub-Saharan Africa	2.1	1.1	0.8	1.0

Source: UNCTAD database.

Table 9
Composition of exports from sub-Saharan Africa, 1980, 1990, 1997
 (Per cent share of total exports)

	1980	1990	1997
Crude petroleum	75.6	61.3	54.7
Non-oil primary commodities	19.7	22.8	26.6
Manufactures	4.0	15.5	18.4
Unclassified	0.7	0.4	0.3

Source: UNCTAD database.

Table 10
Competitiveness and manufactures exports, 1985-1998
(Index numbers, 1980 = 100)

	1985	1990	1993	1996	1997	1998
Algeria						
Real exchange rate	84.7	92.6	120.8	142.5	138.5	137.8
Real wages	108.6	81.0	77.5	75.1	70.9	
Labour productivity	112.6	101.3	115.3	94.8	104.4	
Competitiveness indicator	87.9	115.8	179.8	180.0	204.0	
Manufactures exports	436.8	769.0	799.7	1700.2	885.8	602.8
Share of manufactures in total exports (<i>per cent</i>)	1.5	2.6	3.5	6.0	2.8	2.6
Cameroon						
Real exchange rate	120.3	59.1	63.5	71.2	80.4	81.2
Real wages		89.8	77.6	50.5	55.5	
Labour productivity		69.9	46.9	51.5	56.2	
Competitiveness indicator		46.0	38.4	72.7	81.5	
Manufactures exports		327.8		272.1		
Share of manufactures in total exports (<i>per cent</i>)		8.5		8.0		
Egypt						
Real exchange rate	58.6	51.9	78.2	65.7	63.0	62.1
Real wages	132.6	91.5	84.1	98.3		
Labour productivity	136.7	144.3	165.7	172.2		
Competitiveness indicator	60.5	81.8	154.1	115.0		
Manufactures exports	55.5	329.1	306.3	335.7	473.9	422.0
Share of manufactures in total exports (<i>per cent</i>)	10.1	42.5	32.9	31.6	40.3	44.0
Kenya						
Real exchange rate	118.4	100.9	112.8	78.5	72.1	70.0
Real wages	93.5	71.2	43.0	55.0	59.5	
Labour productivity	93.6	95.0	58.2	64.0	64.0	
Competitiveness indicator	118.5	134.6	152.8	91.3	77.6	
Manufactures exports	72.2	199.7	250.2	361.2	344.2	314.3
Share of manufactures in total exports (<i>per cent</i>)	11.4	29.2	28.3	26.4	25.3	23.6
Mauritius						
Real exchange rate	130.2	87.9	84.4	70.7	77.7	82.9
Real wages	83.5	100.7	129.8	151.3	170.0	187.6
Labour productivity	95.3	127.7	152.9	185.4	199.2	219.9
Competitiveness indicator	148.2	111.5	99.3	86.7	91.0	97.1
Manufactures exports	168.5	666.4	771.2	1038.2	964.0	1046.7
Share of manufactures in total exports (<i>per cent</i>)	45.6	65.8	70.0	67.9	71.0	72.6
Morocco						
Real exchange rate	159.8	103.8	97.5	79.6	86.1	84.4
Real wages	82.6	76.1	75.7	77.9	77.6	
Labour productivity	88.6	113.7	107.1	116.6	124.6	
Competitiveness indicator	171.4	155.2	138.0	119.0	138.2	
Manufactures exports	149.4	380.2	386.4	590.5	592.9	
Share of manufactures in total exports (<i>per cent</i>)	26.8	32.6	32.4	35.9	36.5	

	1985	1990	1993	1996	1997	1998
Senegal						
Real exchange rate	121.3	73.0	77.8	95.9	107.5	107.4
Real wages	113.8	105.2	126.0	84.0	96.1	
Labour productivity	129.0	112.6	135.5	98.7	123.5	
Competitiveness indicator	137.5	78.1	83.7	112.6	138.3	
Manufactures exports		238.1	325.6	661.2	581.4	708.6
Share of manufactures in total exports (per cent)		22.5	33.1	48.2	46.2	52.8
South Africa						
Real exchange rate	148.7	84.7	74.3	76.9	75.9	85.2
Real wages	105.0	106.7	109.4	117.0	118.6	118.1
Labour productivity	99.5	100.4	100.8	111.7	112.5	112.0
Competitiveness indicator	141.0	79.7	68.4	73.4	72.0	80.8
Manufactures exports		110.9	202.2	347.8	385.8	305.0
Share of manufactures in total exports (per cent)		21.9	38.7	55.3	57.8	53.7
Zimbabwe						
Real exchange rate	125.0	103.8	122.7	104.0	106.1	157.4
Real wages	105.1	106.5	79.1	75.6	78.2	74.2
Labour productivity	106.0	136.0	125.0	107.7	111.6	108.8
Competitiveness indicator	126.0	132.5	193.9	148.1	151.3	230.7
Manufactures exports	64.3	105.3	117.4	140.4	160.2	
Share of manufactures in total exports (per cent)	29.3	30.9	37.9	29.5	31.9	

Source: UNCTAD secretariat estimates, based on UNIDO, World Bank and IMF databases.

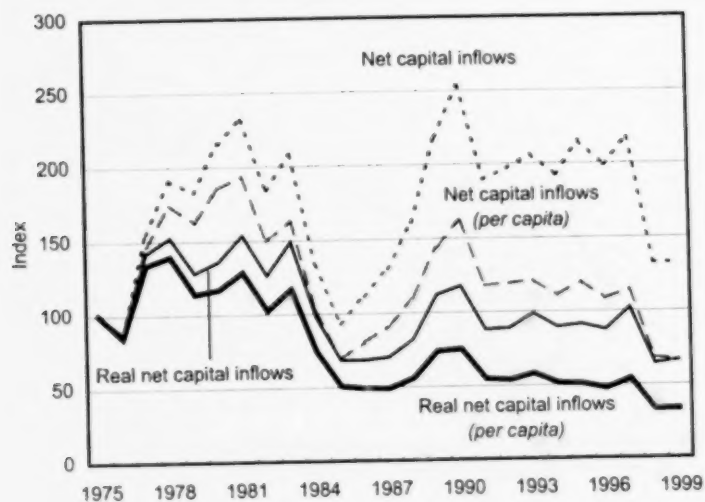
Note: For definitions see the text and footnote 28.

Table 11**World prices and terms of trade by commodity group, 1975–2000***(Index numbers, 1970 = 100)*

	1975	1980	1985	1990	1995	2000
<i>Price indices:</i>						
Manufactures	185.3	294.1	252.9	400.0	438.2	361.7
Tropical beverages	143.2	318.9	270.3	167.6	248.7	159.5
Vegetable oilseeds	166.7	216.7	185.2	137.0	218.5	131.5
Agricultural raw material	180.9	326.2	238.1	338.1	383.3	245.2
Minerals	141.9	227.4	161.3	238.7	240.3	195.2
Food	278.7	393.4	163.9	247.5	265.5	204.9
<i>Index of terms of trade against manufactures:</i>						
Tropical beverages	77.3	86.2	106.9	45.3	56.8	44.1
Vegetable oilseeds	90.0	73.7	73.2	34.3	49.9	36.4
Agricultural raw material	97.6	110.9	94.2	84.5	87.5	67.8
Minerals	76.6	77.3	63.8	59.7	54.8	54.0
Food	150.4	133.8	64.8	61.9	60.6	56.7

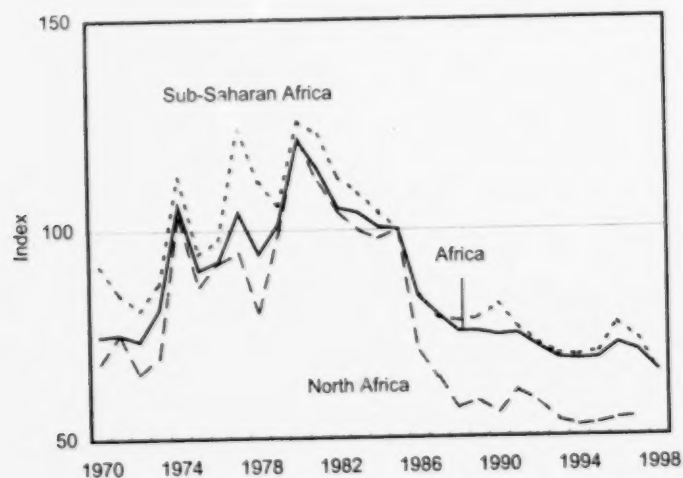
Source: UNCTAD database.

Chart 1
Total and per capita net capital inflows, 1975–1999
 (Index numbers, 1975 = 100)



Source: World Bank, *Global Development Finance 2001*, Washington, D.C.

Chart 2
Terms of trade for Africa, 1970–1998
 (Index numbers, 1985 = 100)



Source: UNCTAD secretariat estimates, based on World Bank database.

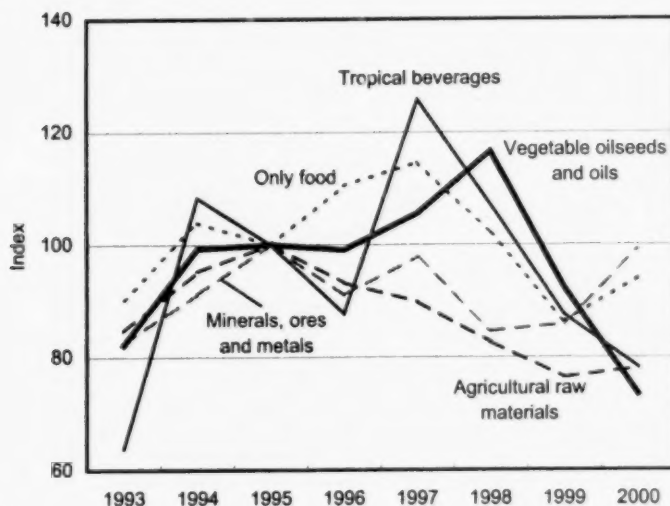
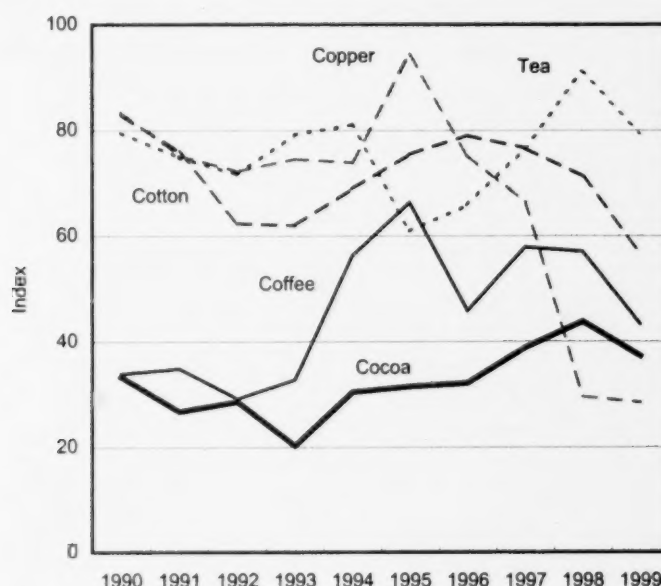
Chart 3**World terms of trade of selected groups of primary commodities against manufacture
1993–2000***(Index numbers, 1995 = 100)***Source:** UNCTAD database.**Note:** Manufactures prices refer to unit value index of world manufactured goods exports.

Chart 4
African terms of trade for selected primary commodities against manufactures,
1990-1999
 (Index numbers, 1980 = 100)



Source: FAOSTAT database.

Note: Primary commodity price index numbers are based on the unweighted average unit export prices (export values in US\$ divided by export volumes in physical quantities) for the following countries: Cocoa: Cameroon, Côte d'Ivoire, Ghana; coffee: Côte d'Ivoire, Ethiopia, Kenya, Madagascar, Rwanda, Uganda, United Republic of Tanzania; cotton: Burkina Faso, Chad, Mali, Sudan, United Republic of Tanzania; tea: Burundi, Kenya, Rwanda; copper: Democratic Republic of the Congo, Zambia.